TRANSIT ISSUE: BUDD TO BUILD JERSEY CARS . . . . . p. 13

MAY 2, 1966

RAILWAY AGE
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NEW YORK'S JOHN GILHOOLEY:

A BOLD PROPOSAL FOR MASS TRANSIT

p. 14

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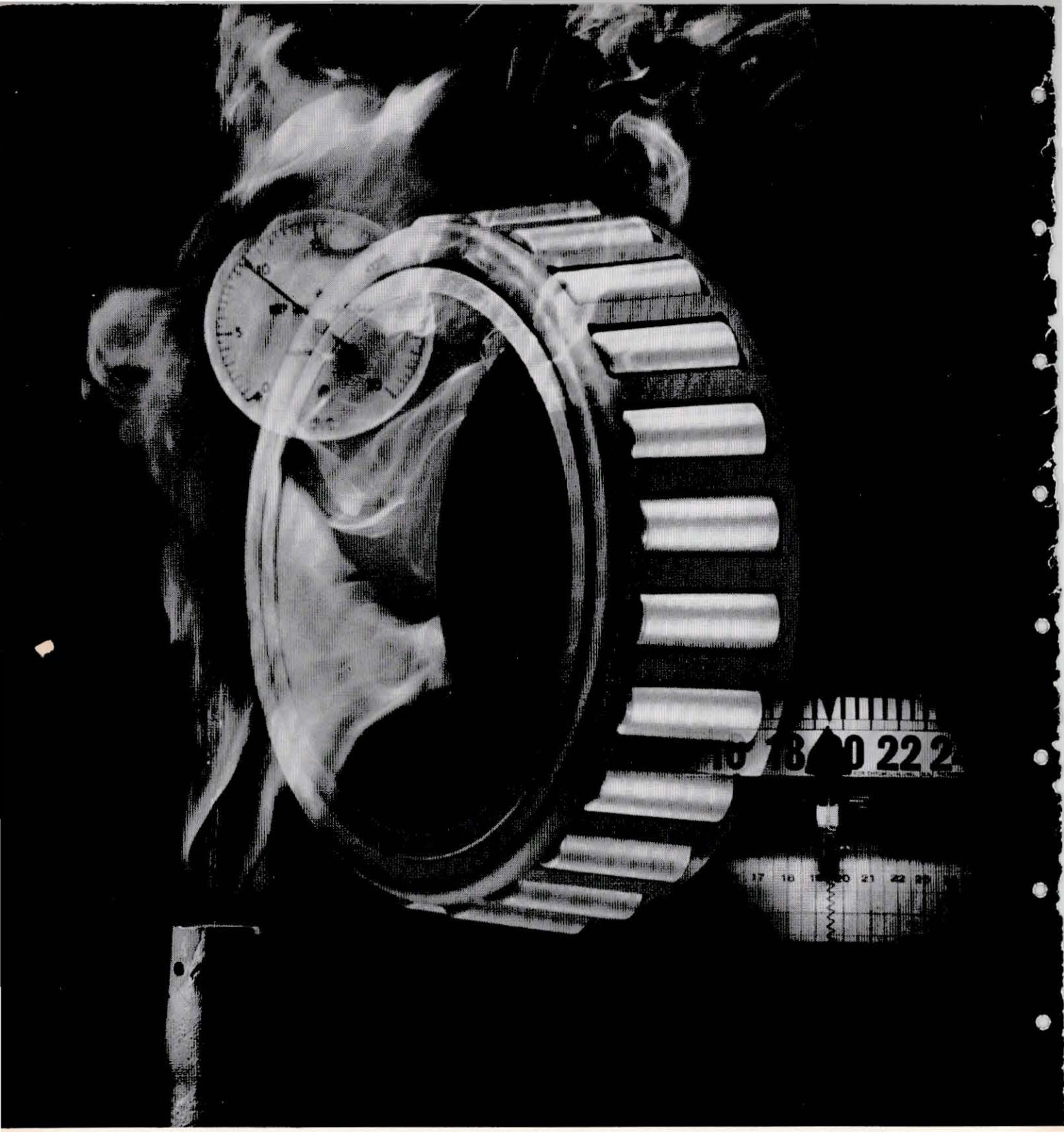


Brenco performance begins with modern heat treatment...

Brenco *crown-taper* roller bearings are the most modern of all.

BRENCO, INCORPORATED
PETERSBURG, VIRGINIA

Circle 1 on reader service card

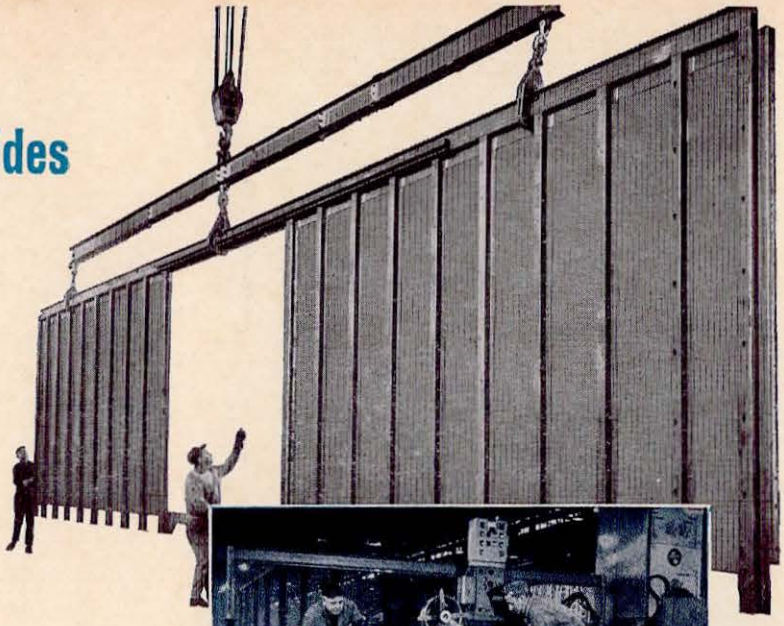
There are 1200 new sides to the Berwick story

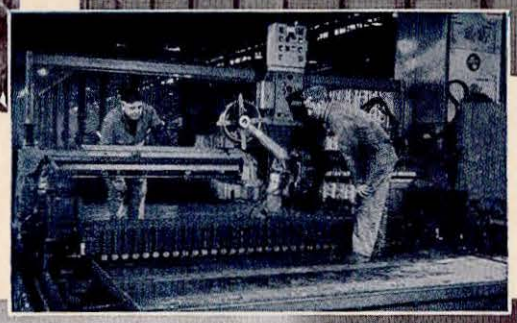
From scratch, Berwick delivered their first car sides to the Pennsylvania Railroad in less than 2 months. Using special automatic welding equipment the remainder are rolling out of the Berwick plant at a rate of 32 a day. 'Can they meet our strict schedule' was the road's top purchasing peoples' first question when considering giving the job to Berwick Forge. Well, after only a few weeks of production, Berwick has proven its ability to tackle a big job and come up with a superior product in record time.

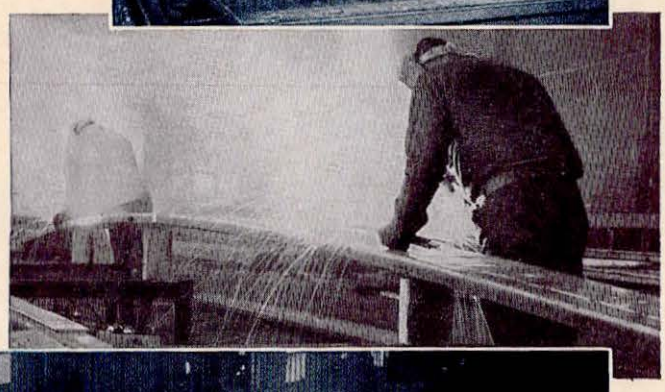
In the Pennsy car shops, these sides are set into position and riveted to their matching members with an ease that amazes even the old timers . . . no extra drilling, reaming, or sledge-hammering.

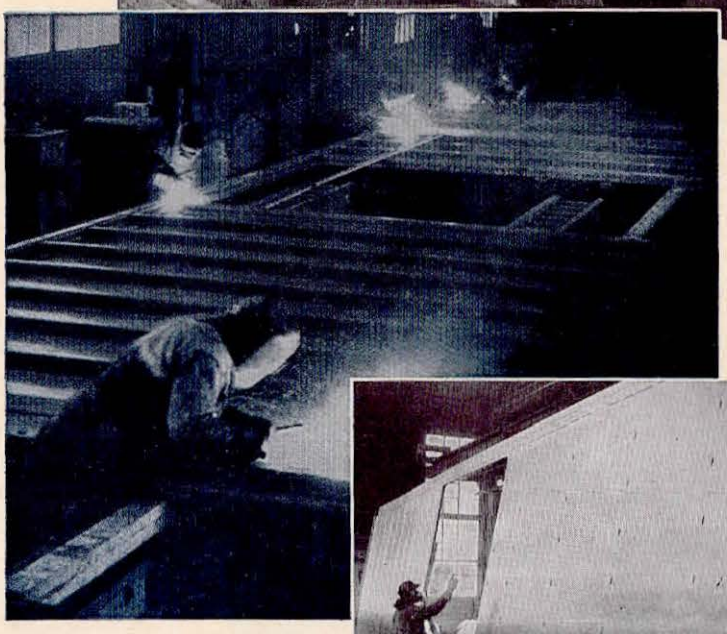
At the right are some pictures of our car side operation from start to finish. And don't forget the other chapters in our catalog . . . underframe building, car lengthening and a whole super market of stock parts.

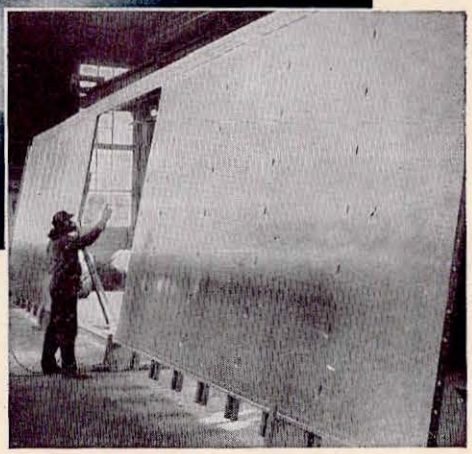
Now let's hear about the sides of your story. Write to:











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Berwick, Pa. Chicago office: 80 East Jackson Blvd.

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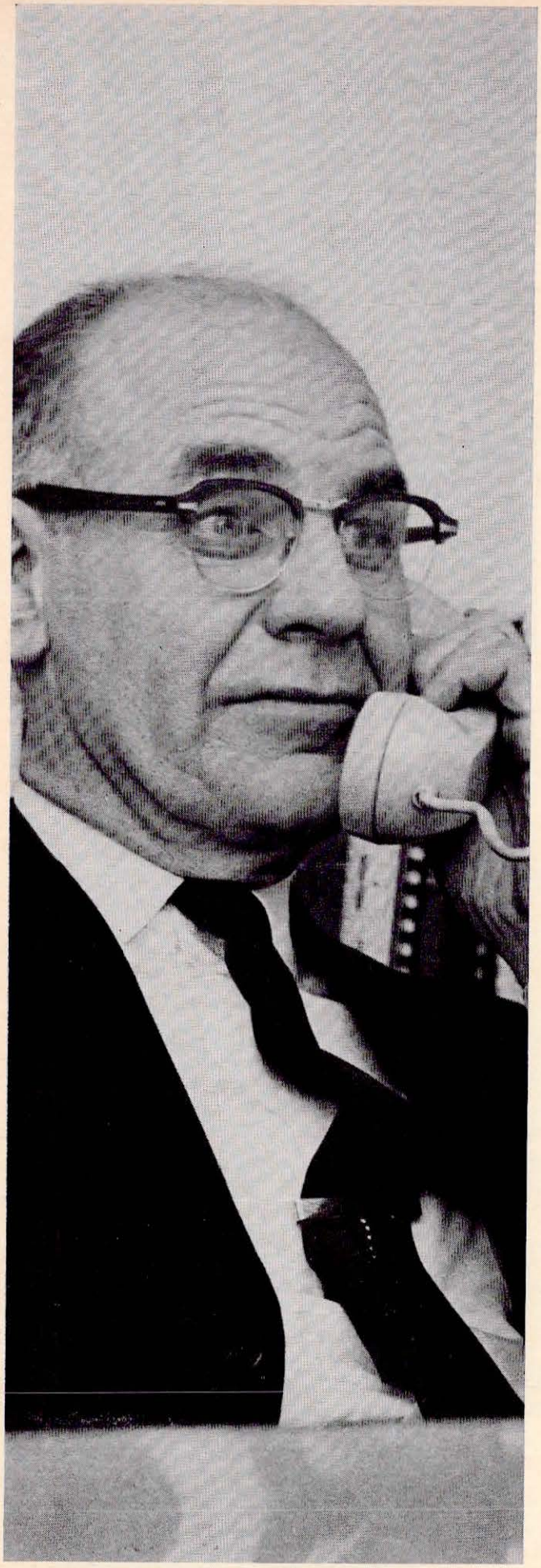

SEPTA

JOHN A. BAILEY, DEPUTY GENERAL MANAGER
Southeastern Pennsylvania Transportation Authority

"Freedom of movement of people and goods is essential to the survival of our major cities, and the problem of providing such mobility faces every metropolitan area in the country today.

"SEPTA has been given the responsibility for solving the mass transportation aspect of this problem in the Greater Philadelphia region through a 1964 Act of the State Legislature. We firmly believe the solution lies in providing a viable system that coordinates and integrates rail, bus and subway, as well as high-speed rail lines to link our major cities.

"In the task before us, it is also important that SEPTA keep abreast of what other agencies are doing in this field and to be informed of the latest technological advances being made in the transit industry. Not only does Railway Age bring us this information every month in the Transit Issues, but each issue serves many times over as a valuable reference source."

John A. Bailey

RAILWAY AGE

May 2, 1966 • Vol. 160, No. 17

THIS WEEK

13 Budd will build South Jersey cars

Delivery of 75 cars to the Delaware River Port Authority is scheduled to begin in the last quarter of 1967.

14 John Gilhooley: A bold proposal for mass transit

New York's senior transit commissioner spells out his proposal for financing a $25-billion, 25-year nationwide program.

20 First-quarter earnings rise sharply

Unofficial estimates put railroad net income for this year's first three months at $150 million, up 25% over '65.

24 Penn-Central, yes; GNP&B, no

Unanimously approved by the ICC, the Penn-Central merger could be consummated by June 1. But GNP&B was turned down.

27 Northerns lose by one vote

The ICC's 6-5 turndown of the GNP&B proposal brought forth a dissent almost as long as the report itself.

42 The Action Page—Needed: A consensus on car supply

Is it time for a "summit meeting" of railroad men, with the objective of achieving agreement on car ownership?

DEPARTMENTS

21 As the Editor Sees It
37 Freight Carloadings
12 Lines on Labor
8 Monday Morning Report
37 New Equipment
36 New Products Report
39 People in the News
37 Railway Market
7 Short and Significant
40 Supply Trade
42 The Action Page
32 Watching Washington
11 Week at a Glance
38 You Ought to Know

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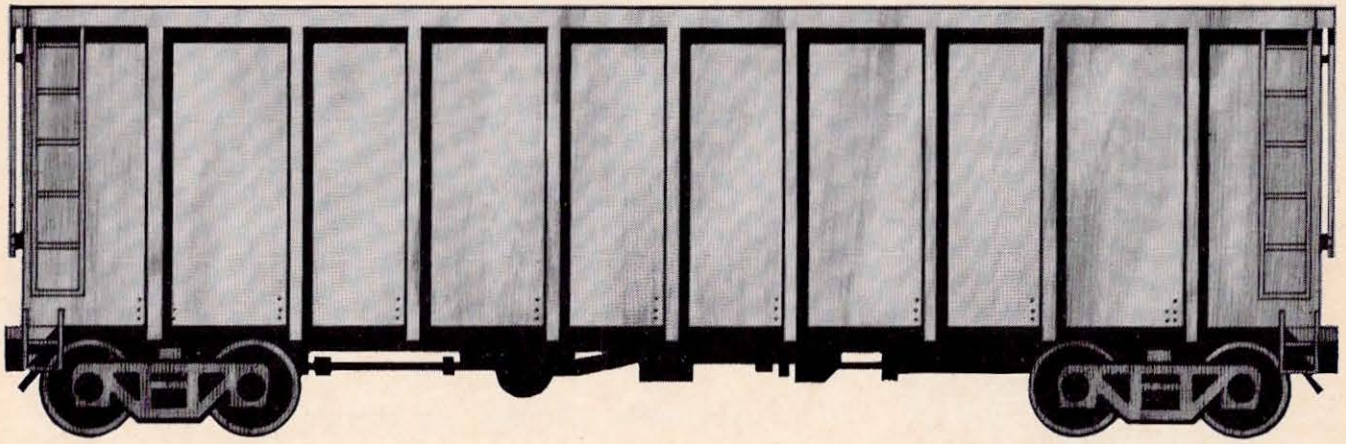
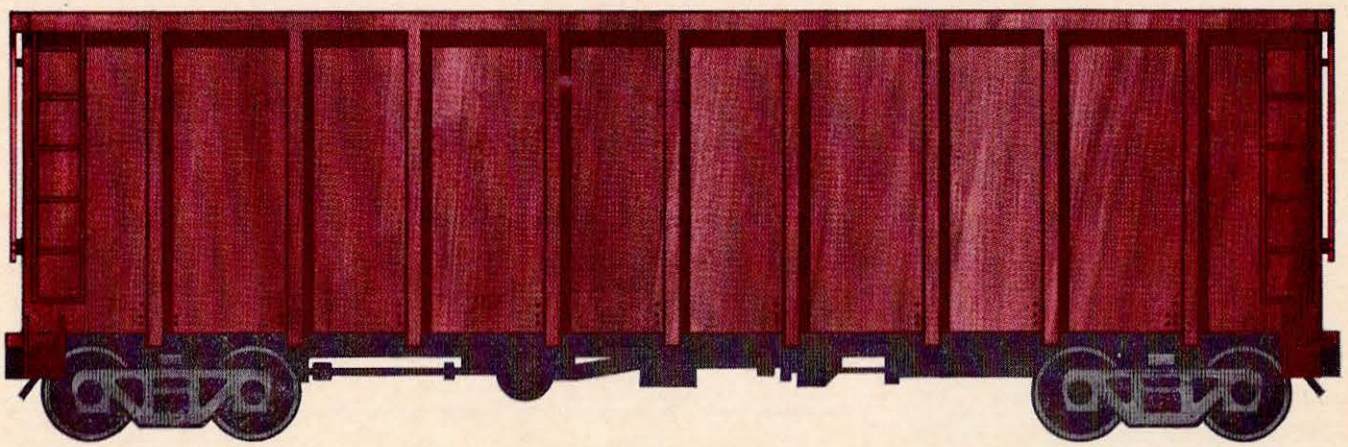
Car shortage problem?



102 of these do the work of...



123 of these

102 gondola cars made of Kaiser Aluminum haul as much lading as a train of 123 conventional steel cars, and haul it for less cost.

What's more, the total rail load of the aluminum train is less—by the equivalent of 3½ loaded steel cars—than that of the steel car train!

Used in rugged bauxite mining operations in Jamaica, these aluminum cars have been in virtually uninterrupted service for over ten years, despite the highly corrosive atmosphere. Extra payload provides weight saving which is the key to a higher profit return. Downtime due to maintenance is virtually eliminated because of aluminum's resistance to corrosion and abrasion.

Ideas like these in lightweight aluminum gondola cars show what we mean when we say: At Kaiser Aluminum, the idea *is* ideas! For the economic study showing how aluminum can offer a better return on *your* capital investment, write to: D. J. Donahoe, Manager, Railroad Sales, Kaiser Aluminum & Chemical Corp., 9933 Lawler Avenue, Skokie, Illinois 60077.

KAISER ALUMINUM MILL PRODUCTS

Circle 3 on reader service card

SHORT AND SIGNIFICANT

Burlington seeks dismissal of car-compensation plea

The Burlington has asked the Interstate Commerce Commission to dismiss the Southern's petition which seeks compensation for moving cars under Commission service orders (RA, Apr. 18, p. 59). The dismissal plea says such cars move under AAR codes of Car Service Rules and Per Diem Rules to which both Southern and Burlington subscribe. Those codes provide for cooperation with the ICC so cars moving under Commission orders have always been treated like "other per diem" cars.

Hotboxes at all-time low in 1965

A performance of 1,377,908 car-miles per hotbox set-off was achieved by U.S. and Canadian railroads for the entire year of 1965. This new high, an average of AAR Mechanical Division records of individual railroads, exceeded performances of 1,175,689 and 1,015,937 miles per set-off for 1964 and 1963, respectively. During 1964, on freight cars which operated over 33.4 billion miles, there were 23,798 plain-bearing failures involving lubricating pads and 469 involving "roller bearings and others." The December 1965 performance of 1,743,020 miles per set-off for all railroads was the best monthly record, topping the previous high of 1,554,316 in November 1965.

Branch abandonments: Katy makes a decision

A year ago, John W. Barriger took a hard look at Katy's plans to abandon 667 miles of branch-line operations—and decided to pull back abandonment petitions, without prejudice, while further studies were made. Now, says Katy's president, a review of 1965 operations has been made—and the picture isn't so bleak as it was once thought to be. The road will petition for abandonment of 220 miles of line between a point near Waco and Stamford, Tex., but it wants to continue to operate 42 miles between Stamford and Rotan, Tex., and has secured trackage rights over Fort Worth & Denver between Stamford and Wichita Falls. Further, Katy now plans to keep a branch between Wichita Falls and Mangum, Okla., and has again deferred final decision on a line which extends from Mangum to Forgan, Okla., and on to Keyes.

High-speed transport study planned for Pennsylvania

Pennsylvania officials believe that the western part of their state and points beyond in mid-America need better fast transportation connections with Eastern Seaboard population areas, so the state has contracted with Westinghouse Air Brake Co. to look into the problem. Pennsylvania's Secretary of Commerce John K. Tabor said WABCO will be paid $80,000 for a two-part, one-year study which will include—but not be limited to—rail transportation. The studies will analyze the possibility of creating a "Keystone Corridor" to link up with the Northeast Corridor high-speed ground transportation system between Washington and Boston. A report on feasibility of high-speed rail passenger service between Philadelphia and Pittsburgh is to be completed by private consultants this month.

New York lags on crew law repeal

Twelve bills have been introduced in the New York State Legislature this year to repeal the state's train crew law, but to date no action has been taken on any of the measures. The New York Railroad Association said both the Brotherhood of Locomotive Engineers and the Brotherhood of Railroad Trainmen have withdrawn opposition to repeal; job protection arrangements have been worked out; safety is not a factor; and Gov. Nelson Rockefeller and U.S. Sen. Robert Kennedy support the repeal. "In view of these facts," says NYRA vice chairman and general counsel, Victor F. Condello, "there is no valid reason for maintaining this outmoded burdensome law. The Legislature has no excuse for not taking action."

MONDAY MORNING REPORT

An era ends at IC today

Few passengers and customers at Illinois Central's gothic, lakeside headquarters in Chicago will notice anything different today. IC's men, however, are intensely aware of the quiet drama that will take place sometime early this morning in Central Station's eighth-floor executive suite. The road's veteran president, Wayne A. Johnston, will hand over control of IC Industries (and the railroad) to William B. Johnson, 47, former president of REA Express, and step up to board chairman.

'The boss' leaves an indelible mark

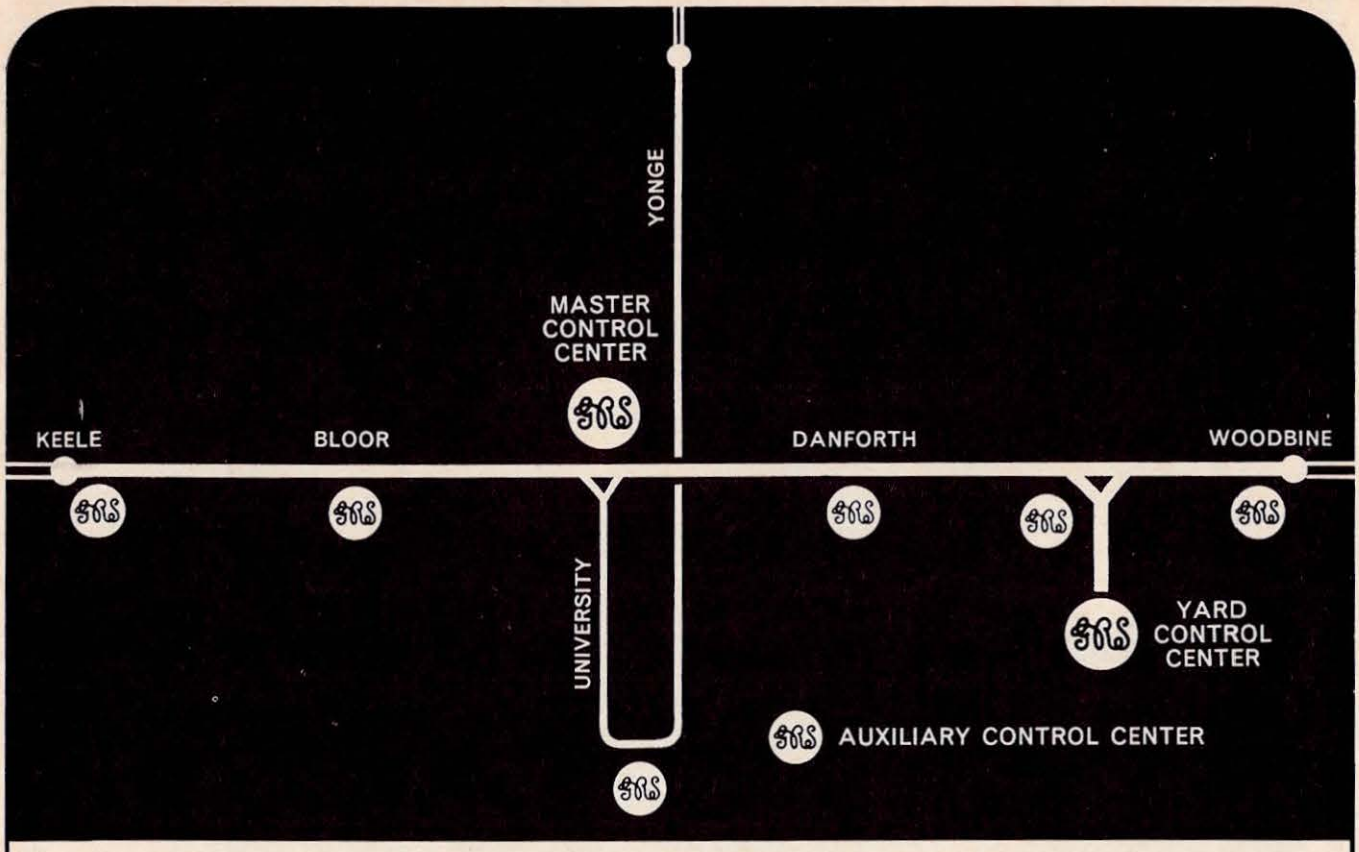
No one is ever likely to know what flits through Wayne Johnston's mind during his final moments as chief executive officer of the Illinois Central. In his more than 20 years as president of the Main Line of Mid-America, as IC styles itself, Johnston has guided the road through war demands, unremitting battles against competition, through natural disasters from floods and hurricanes, through great reconstruction programs and such unwelcome spotlights as being chosen by the operating unions for the climax-strike in the work rules dispute. Perhaps, more than any of these, Johnston's mind may be on IC's men and women. He likes people—all kinds of people. Wayne Johnston's friends and acquaintances range from elevator operators at IC's brownstone headquarters along Chicago's lakefront to lumberyard workers at Memphis, bank presidents at Waterloo, Ia., coal mine operators at Carbondale and an astonishing number of people in-between. An entire generation of IC men have known no president but "the boss" as he is called by everyone (except to his face) at Central Station. Some of Wayne Johnston's men have left IC and gone on to important positions on other railroads, with suppliers and shippers—and they are testimonials to the high regard other companies have had for IC over the years.

Debt-reduction, building

But, more than any other single thing, the organization he hands over to W. B. Johnson this morning is an authentic reflection of Wayne Johnston's solid, conservative and substantial stewardship. Johnston presided over what one financial analyst terms the "most notable debt-reduction accomplished by a major carrier since World War"—from close to $300 million in 1964 to $168 million at the end of last year. And he didn't neglect IC's present and future while whittling the road's mortgage down to size. More than $560 million was poured into IC's facilities, carfleet and motive power during the same years. Conservatism and cash-consciousness came naturally to a man who came close to being laid-off during the depression, a bare 10 years before being elected IC's president. Johnston's long suit as IC's leader was sound, steady and safe management.

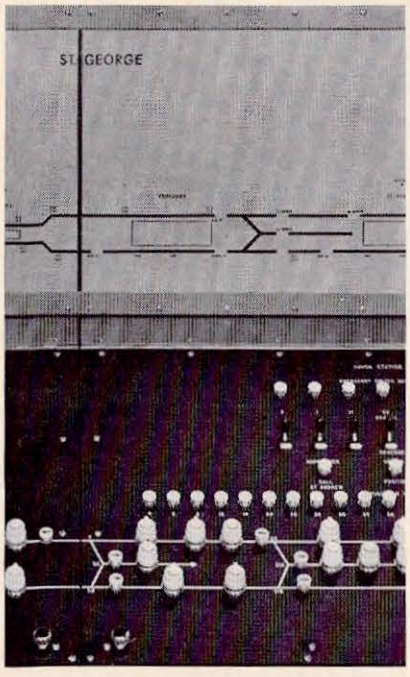
Care for succession, too

Wayne Johnston is not a shy man. He has spoken often and loudly for the IC (and railroads generally), prompted by his uncompromising devotion to the idea of private transportation and the need for rallying public support behind the industry. He is just as uncompromising about his successor at IC. He describes W. B. Johnson as "one of the best-qualified men in the country to be our new president." Johnston makes no bones about his great expectations from his successor. When W. B. Johnson takes over at IC today in the offices where Stuyvesant Fish, Edward Harriman, Charles Markham and other IC greats left their mark —he'll be taking over from a man who leaves a larger-than-life impression on the 115-year-old road. Wayne Johnston, IC's new chairman of the board, from the day he started railroading as a switchman for the Big Four as a college student, has been an authentic railroad man.



TORONTO TOO

Specifies GRS Signal Controls for Protected Convenience



Section of master control panel.

Latest addition to the impressive total of GRS-equipped subway mileage, the new Bloor-Danforth section offers its patrons uncompromising safety as well as the convenience of speed and on-time performance.

Monitored from strategically placed control centers, an army of electronic circuits stands continuous guard over each track, switch, and signal. The progress of each train is automatically protected every foot of the way. Signals can indicate "Proceed" only when all switches and signals are properly positioned so that no other train can possibly interfere.

Efficiency is helped substantially by the GRS NX (eNtrance-eXit) interlocking system. The operator pushes two buttons—the rest is automatic. The train is routed to the proper station platform. The train proceeds without waiting. NX provides smooth traffic flow, avoids delay, helps you arrive on time.

GRS congratulates the Toronto Transit Commission and citizens of Toronto on their new subway facility.

GENERAL RAILWAY SIGNAL COMPANY
A UNIT OF GENERAL SIGNAL CORPORATION ROCHESTER NY 14602
NEW YORK CHICAGO ST LOUIS MONTREAL

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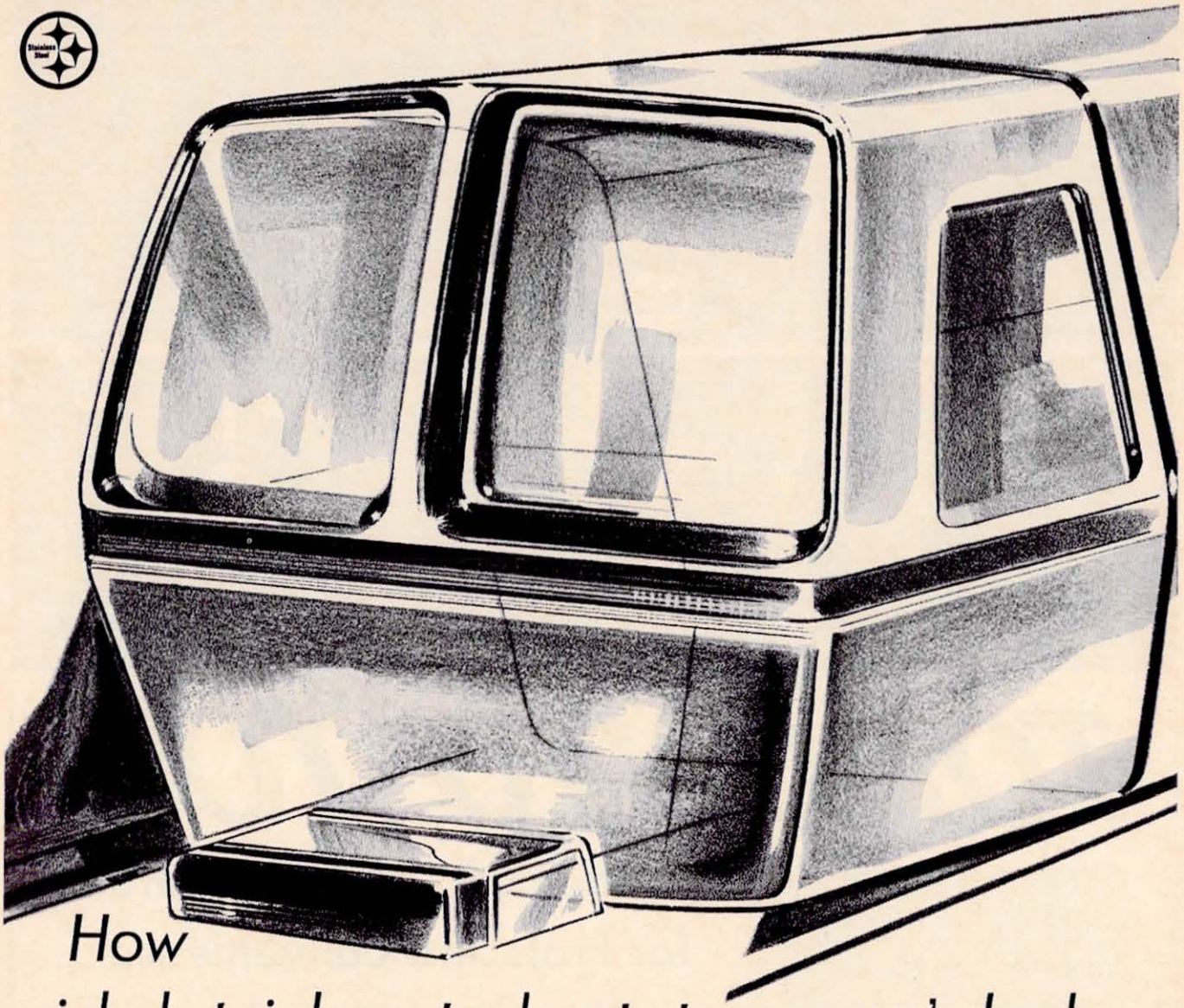
Tomorrow's Transit...Today's Reality

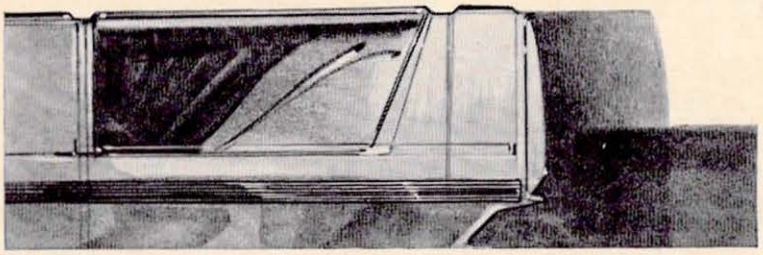


How nickel stainless steel puts tomorrow's look into today's transit cars.

Nickel stainless steel is the material designers *and* operators prefer for modern transit cars. Cars that combine operational economy with forward styling.

While more than twice as strong as conventionally used steels, stainless steel is ductile. It's easily formed, stretched, bent or joined. That liberates designers from the old-fashioned "box" concept.

At the same time, its strength-to-weight ratio makes possible a lighter car, one that saves dramatically on electric power costs, while maintaining maximum safety levels.



And, of course, stainless steel resists corrosion and never needs painting. That means both its beauty and its low-maintenance economies are built in for life.

Chances are, nickel stainless steel can help put tomorrow's look into your system — today. We'll be happy to send you more information about this modern material for modern transit systems. Write to: The International Nickel Company, Inc., 67 Wall Street, New York, N.Y. 10005

INTERNATIONAL NICKEL

Nickel—its contribution is quality

Circle 5 on reader service card

WEEK AT A GLANCE

RI boosts equipment budget to $78 million

Rock Island's recovery program got another powerful shot in the arm last week—a $54 - million shot that will add 35 new locomotives and 2,998 new freight cars to the road's equipment roster. For 1966-67, RI's equipment-acquisition program now involves motive power and rolling stock worth about $78 million. Orders were placed late in '65 for 25 locomotives and 1,266 freight cars, at a cost of $24 million, and this equipment is now being delivered. Deliveries on the new $54-million program will begin late this year. And by the time all equipment comes onto the property, RI will have added 125 locomotives and 7,873 freight cars, costing more than $135 million, since the beginning of last year. In the new program, the road will acquire 2,000 high-capacity covered hopper cars, 550 box cars, 200 flat cars, 42 bi- and tri-level rack cars, 206 freight cars of other types and 25 cabooses.

F. J. Robertson named to NRLC as Hallmann retires

Francis J. Robertson, Washington, D.C. attorney and labor arbitrator, was named chairman of the Western Carriers' Conference Committee on May 1. As chairman for the Western railways, he will serve as a member of the National Railway Labor Conference. NRLC's new member for the West succeeds veteran negotiator and Western Chairman E. H. Hallmann who, after undergoing surgery recently, announced his retirement from NRLC effective April 30.

Robertson, 56, is the first non-railroader to fill an important post as NRLC. He was selected for the job by the Western Railway Labor Committee, a group composed of chief personnel officers of principal Western railroads. Robertson joins the NRLC at a time when that organization enjoys unparalleled prestige and influence as the industry's top negotiating authority, thanks largely to the leadership of NRLC Chairman J. E. ("Doc") Wolfe who spearheaded the industry's fight against outmoded work rules during the early sixties and who structured the consensus that kept the carriers together during the various labor negotiations in recent years.

The West's new man at NRLC is no stranger to rail industry problems. Robertson has been active for 18 years as an arbitrator of transportation labor disputes. He served on three railroad and airline emergency boards by Presidential appointment. He was also a member of the special commission appointed by President Eisenhower in 1960 to study and make recommendations for the work rules dispute. His background also includes private practice and a decade of government service in the Reconstruction Finance Corp. and the War Assets Administration.

Retiring Western Carriers' Conference Committee Chairman Hallmann has been a member of that committee for 12 years and its chairman since 1963. He participated in all major industry labor negotiations during the last decade and was a principal railroad witness in the proceedings that led to removal of firemen and excess trainmen from train and switching crews.

Miners strike cuts into weekly carloadings

For the second straight week, railroad coal carloadings took a nosedive as a result of a 2½-week strike that has idled 50,000 miners in the soft coal fields. Late last week, despite an announcement of a new labor agreement between the United Mine Workers and Eastern and Southern coal producers, more than 20,000 miners remained off their jobs protesting that the settlement was inadequate.

Coal loadings for the week ending April 23 were only 62,029 cars—down more than 46,000 cars from the 108,489 recorded on the corresponding week a year ago. For the preceding week this past April, coal loadings amounted to just 70,334 cars, compared with 103,743 in the comparable 1965 period. Over-all carloadings for the week ended April 23, reflecting the coal losses, were off some 26,850 cars, or 4.7%, compared with the corresponding week last year.

LBJ proclaims National Transportation Week . . .

"During the next two decades, we must prepare to meet a demand for transportation which will be at least twice what is required today," President Johnson declared as he proclaimed the week beginning May 15 as National Transportation Week. The President cited the strides that have been made by all modes of transportation, including railroads which "have rejoined the ranks of expanding industries. Since 1961, reversing a period of long decline, railroads have been catching up with the steady and uninterrupted growth of the nation's economy."

Today, the President said, transportation accounts for one in every five dollars in the American economy: "In 1965 that amounted to $120 billion —more than the entire Gross National Product of this nation in 1940." Yet, as great as it is, it must grow faster, he said.

. . . and calls for a new government-industry partnership

The President coupled his proclamation with a plea for swift action on his proposal for a Cabinet-level Department of Transportation. He described this as "critical to the future of transportation."

"We are already falling behind—our transportation lifeline is tangled—the gears are worn and dangerously strained," he asserted. "The federal government has a variety of agencies and bureaus administering transportation policy. But instead of aiding and encouraging our transportation industry, we are too often hindering and confusing it.

"We can change all that. Out of this new partnership between the government and industry will grow a well planned and thoroughly coordinated national transportation system that is fast, efficient, safe, dependable and completely up to date."

GUS WELTY'S LINES ON LABOR

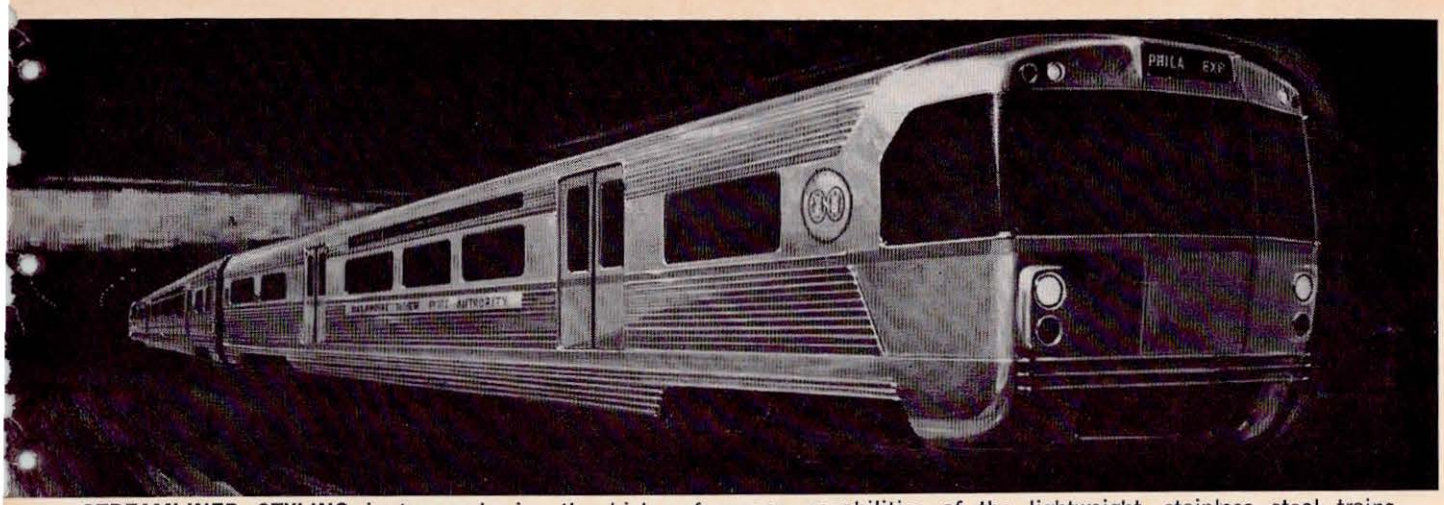
WELTY

IT'S BEGINNING TO LOOK as if the Brotherhood of Locomotive Firemen & Enginemen's strike against eight railroads was just a preliminary event. The main bout, or so it would appear, is coming on now—matching the BLF&E against the Brotherhood of Locomotive Engineers. Thus far, it's a battle of words. But the words are stinging—and, as the blow-by-blow announcer might put it, both guys are cut and bleeding. Of more significance, perhaps, both guys are being pressured into mistakes of strategy, tactics or just plain good combative sense.

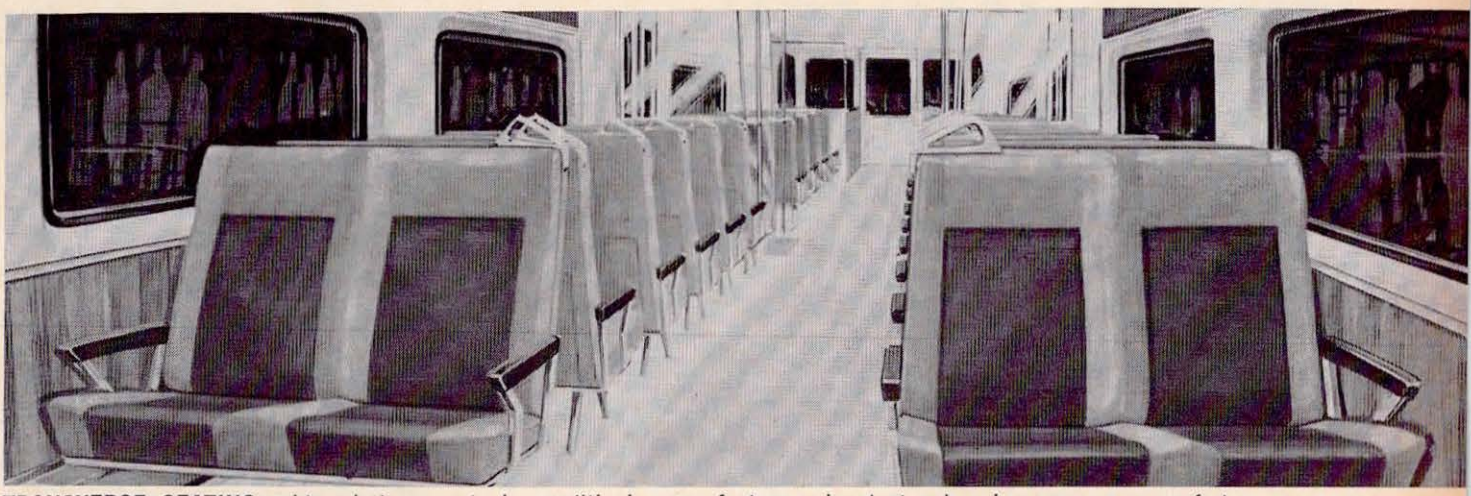
HOW ELSE CAN YOU EXPLAIN the declaration that "a true trade unionist never has to apologize for his action"? BLF&E President H. E. Gilbert is the author of that particular statement of policy—or, at least, it appears in his column in the brotherhood's official journal. It's hard to figure how a man of Mr. Gilbert's ability and experience could really believe that a "true trade unionist"—or anybody else, for that matter—occupies such a position above the rest of the world. The statement and its implications still may return to haunt the BLF&E and its president.

NEITHER HAS THE BLE avoided stumbling, in its eagerness to land another haymaker on the BLF&E. And the Engineers, too, tripped in public. A recent issue of the BLE official journal contains an article entitled "A Profile in Courage" and signed by two top officers of the brotherhood. It's a testimonial to Grand Chief Perry S. Heath, and his statements during the BLF&E strike. And it begins with the note that the grand chief "doesn't know this is being written, and he won't know until it appears in print." This may well be true. But if it is, then the professionals in the editing business would have to agree that it's a helluva way to run a publication.

THIS LATEST ROUND in the BLF&E-BLE scrap just naturally got started. The Firemen struck; the Engineers' chief called the walkout illegal, termed it an attempt to invade BLE jurisdiction and suggested that BLF&E picket lines didn't have to be honored. But, apparently, few engineers ignored the pickets. And, apparently, the BLE move backfired to the extent that the BLF&E may have picked up additional members. For the BLE, it must have been a considered risk, since union men do tend to honor another union's strikes and particularly since the great majority of BLE members started out as members of the Firemen's organization. It seems to boil down to this: Both unions took a gamble. And when the gambles didn't pay off, both started swinging wildly.



STREAMLINED STYLING is to emphasize the high-performance capabilities of the lightweight, stainless steel trains.



TRANSVERSE SEATING, wide windows and air conditioning are features aimed at enhancing passenger comfort.

Budd cars for South Jersey transit

Delaware River Port Authority places $13.6-million order for 75 air-conditioned transit cars.

Rolling stock for the South Jersey rapid-transit line from Camden to Lindenwold, N.J., has been ordered by the Delaware River Port Authority (RA, April 25, p. 65). There will be 50 cars coupled semi-permanently in two-car sets and 25 single-unit cars. The $13.6-million order, placed with Budd, calls for deliveries of the 75 cars to begin in the final quarter of 1967.

Work is already in progress on the 11.6-mile right-of-way out of Camden. E. C. McAuliffe, DRPA chairman, pointed out in announcing the car order that it is the largest single contract to be let in the bi-state agency's $70-million mass transportation project between midcity Philadelphia and Lindenwold.

• **Signals ordered.** Announced along with the car order was award of a $2.47-million contract for signals and interlocking equipment to Union Switch & Signal. The line is scheduled to be ready for operation by mid-1968.

P. MacMurray, executive director of the Authority, recently reported the filing of an application with the Department of Housing and Urban Development for $12.5 million of federal assistance on the South Jersey transit project.

• **Air-conditioned cars.** Design of the cars emphasizes passenger comfort with transverse two-and-two high-back seats and air conditioning. Exterior styling will emphasize the speedy rides which the new facility will provide between suburban New Jersey and midcity Philadelphia.

The cars will be used in trains operating over the same subway-bridge route presently traversed by Philadelphia-Camden transit trains. The new equipment, therefore, conforms to existing cars in over-all dimensions. Each of the cars will be 67 feet 10 inches long. Single-unit cars with cabs at both ends will each seat 72 passengers. Cars to be coupled in two-car sets will have only a single cab and will seat 80.

The estimated light weight of each of the stainless-steel units is approximately 71,000 pounds.

Traction equipment is designed to accelerate trains rapidly to their 75-mph top speed. Electro-pneumatic and dynamic braking will be installed. Cars will have electric heating and electromechanical air conditioning under fully automatic control. ■

NEW YORK CITY'S JOHN GILHOOLEY:

A bold proposal for mass transit

- **An emerging leader of an emerging industry has told Congress: The choice is better transit or urban chaos.**
- **Here he tells why capital spending has to be increased sharply—and how to get more mileage from each dollar.**

John Gilhooley, senior member of the New York City Transit Authority, is the kind of man who sends reporters scurrying for the appropriate adjective. "Forceful . . . eloquent . . . imaginative . . . original" are some of the terms frequently applied to this youthful (44), Cornell-trained lawyer who helps run the world's biggest and busiest railroad passenger operation.*

Gilhooley is all of that—and more. He is a man who not only knows his way around a transit system; he also knows his way around Washington, where he served as assistant secretary of labor in the Eisenhower Administration before Governor Nelson Rockefeller appointed him to the NYCTA in 1962. He was reappointed for a six-year term last year.

In the view of many observers, Gilhooley's combination of transit know-how and political acumen could prove to be especially valuable to the mass-transit industry at a time when its future seems to depend so heavily on Washington policy makers.

Gilhooley played a key behind-the-scenes role in the successful campaign for passage of the Mass Transit Act of 1964. A few weeks ago he took center stage in Washington during Congressional hearings on the proposal to extend this act. He made mass-transit front-page news when he proposed a bold new method for pumping vast amounts of capital into the hardening transportation arteries of American cities.

In an interview with Railway Age Editor Luther Miller and Transit Editor Joe Asher, Gilhooley explained his proposal in detail—and described the steps he feels the transit industry must take to achieve any long-range solution to problems that are now being dealt with on a piecemeal basis.

*Of three commissioners' posts on the NYCTA, one will be vacant with the pending retirement of Joseph E. O'Grady, who served as chairman. The other post is held by Daniel T. Scannell.

In just over a decade, the NYCTA has put $1 billion into capital improvements. A good example is car replacement: recent orders

Q. Commissioner Gilhooley, in recent weeks you've been up in Albany and down in Washington, trying to persuade legislators that mass transit needs big injections of fresh capital. Just how big?

A. On a nationwide basis, I suggest that within the next generation we have to think in terms of about $25 billion in capital expenditures, from all sources. In 1962 the Institute of Public Administration made a report to the Secretary of Commerce which estimated capital requirements through 1972 at $9.8 billion. That conclusion was based on very rough data due to the fact that planning in many communities had not reached the stage of cost estimates. And it was only a ten-year estimate. Thus, I believe the need was seriously under-estimated. I think a total of $25 billion is much more realistic.

Q. In Washington, you spoke of $12 billion as a possible federal share of this. Does that mean you're in favor of a 50-50 matching arrangement?

A. I don't know what the basis should be—whether the present 2/3 to 1/3, or 50-50, or whether we ought to give the mass transit systems the same kind of break we give the highway people, 90 federal to 10 local. My point is that the federal share in a nationwide effort will have to be at least $12 billion, if not more. That would be only 25% of the amount being invested in the Interstate Highway System. If we don't do something to improve the condition of mass transit in large, intermediate and small urban centers, we're going to have a situation soon where all transport will come to a standstill.

Q. But isn't this a job for the local communities themselves?

A. Of course, the communities must come up with a large share of the necessary funds. But cities are at or near the end of their resources. We're talking about a massive effort to transform the face of America by improving transportation in the core of the urban centers. I think the key to the whole problem is a total philosophical and political commitment on the part of President Johnson and the Administration, to support a massive effort to help the cities to help themselves.

Q. Federal aid to mass transit has averaged $117 million a year in the last three years. You proposed in Washington that these grants be used not to pay for capital programs on a piecemeal basis, but to service debt on longer range programs. Just how would that work?

A. What I have suggested to members of the Congress is this: Have representatives of the federal government sit down with the civic leaders and city fathers in each of the urban centers across the nation; determine what kind of total transportation plan would be feasible to meet the objectives of the next generation; approve the plan; and thus enable the municipality to go out and float bond issues to begin that expansion program immediately.

If it's done in this way, with the municipality committing its money to support, say, one-half the total debt in terms of interest and amortization, and the federal government doing the same thing for the other half over 20 or 25 years, then we can start building these facilities now and pay for them as we build and use them.

I predict that is the way it is going to be done, and I don't know that I can find words strong enough to tell you that this has *got* to be done.

Q. Let's take a specific case. You have estimated New York's own immediate capital needs at $1.5 billion. Assuming a 50-50 split, how much money—under your proposal—would the city have to put up, and how much would Washington have to provide, to permit you to begin work immediately on your program?

A. Well, this is a complicated problem because the financial terms would be different depending upon whether permanent subway structures or equipment such as subway cars are involved. For example, permanent subway structures could probably be financed over 40 years; subway cars probably no longer than 25 years on the average and other equipment for shorter periods. Then, too, this money wouldn't be needed all at once but gradually as building progressed. However, on an over-all basis my judgment would be that we in New York would need about $40 million a year in capital subsidy for the next 25 years from the federal government to finance the entire project. Of course the balance would have to be raised by the city fathers.

Q. You have said elsewhere that "open-end subsidy for transit operations is the worst deterrent to efficient operation." How do you reconcile this with your present proposal?

A. My proposal does not contemplate an underwriting of operating costs, but rather a closed-end fixed-period *capital* subsidy, based on a plan approved jointly by the municipality and the federal government.

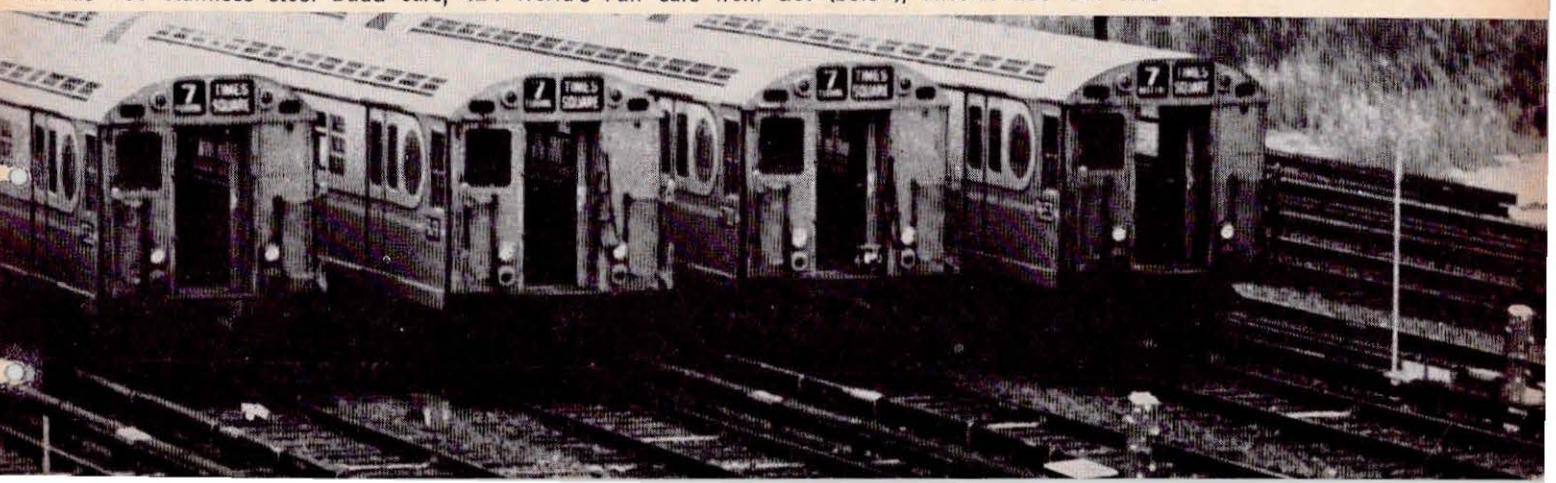
I think it is foolish to expect the federal government to commit itself to underwriting in an open-end way the operating deficits of mass transit systems; the cost would be fantastic and such a plan will never pass the Congress, so it's impractical. My second objection to an operating subsidy it that I think it would remove any inducement for the operator to do an efficient job.

If, on the other hand, the federal government set up criteria for such a subsidy and said that you must meet this, that and the other regulation before you qualify for the subsidy, then you have Big Brother telling you how to run your railroad.

But a long range *capital*—and I emphasize that—*capital* subsidy program, financed jointly by the municipality and the federal government, would be a wise and worthwhile investment in the future of the city and the country. It would undoubtedly attract more riders to the transit system and thus reduce operating deficits. At the same time it would provide more jobs throughout the country.

Q. What has been the reaction in Washington to your proposal?

nclude 600 stainless steel Budd cars, 424 World's Fair cars from GSI (below), another 200 GSI cars.



A. I'm told by key people in the industry that the reaction has been very good—the words used are "startling," "arresting," "imaginative," and that sort of thing. I understand that Congressional Committee staff personnel and people at HUD and on the White House staff are looking into it carefully, and that members of Congress are discussing it with principals in our industry.

Q. Approval of such a program as you propose will obviously require a tremendous push from somewhere. Are transit interests geared for such a job?

A. If I had to answer candidly, I would say "no." We've got to have our political officials in Congress—not the transit association of this, that or the other thing—but all of the political officers of our great cities and states, bringing out their plans, asking for this money, testifying for it, pushing for it, demanding it.

Q. How about the transit supply industry?

A. Some of the suppliers have made an excellent start toward alerting the nation to the problem. But the intra-corporate budgets they provide—and I'm talking about some of the giant corporations—have not been sufficient to supply the kind of drive and the kind of money that's necessary to support an educational program across the nation and in Washington.

If we're going to get the support we need from the federal government, we first must get some indication—and in rather a massive way—of the belief of the major transit suppliers that they regard this opening up of the mass transit market in the nation as important. With proper support from them, from the transit industry itself, from the municipal leaders of the nation, from our Congressional delegations, we can hope to get our point across in Washington.

Q. You have said, "I see no reason why the automobile—the creator of many of our urban problems—should not be taxed to help solve them." Why tax autos to meet what is essentially a local government problem?

A. I think there are two answers to that and they may surprise you. First, as a matter of equity: The government has taken monies that should have gone toward the improvement of the rails and made what I would regard as a total commitment to rubber and concrete, absolutely to the subordination and almost to the complete exclusion of rail. Now, I think the pendulum has swung the other way and it's high time for rubber and concrete to stand aside and permit that same kind of total commitment to be made to rails.

We all hear a good deal about "balanced transportation policy"—but I see very little done about it. Yet I think it is in the interest of concrete and rubber—and, if you will, in their own self-defense—that they support reasonable federal capital subsidy for the rail industry. And I mean "self-defense." The most recent proof of that has been the rejection by the citizens of San Francisco of a bond issue to build two or three more freeways. Go out some morning and take a look at our Queens-Long Island Expressway. A couple of months after it opened, it got to be known as "the longest parking lot in the world." Well, the people of the United States are fed up to the eyeballs with that sort of thing.

Let me add that I am certainly not anti-rubber or anti-concrete. After all, we are responsible for the operation not only of 6,600 subway cars but 4,400 surface buses as well.

CRACKDOWN ON CRIME: Gilhooley saw crime rates in the subways skyrocketing, talked the Mayor into doubling the police force underground—cut crime by over 60%.

IKE MAN: Gilhooley was Pres. Eisenhower's Assistant Secretary of Labor.

Tough-minded. . . . . Washington-wise Innovator . . .

WORLD TRAVELER: He put two-way radios on NYCTA after seeing Milan Metro's.

Q. Many people feel that New York's 15-cent transit fare is unrealistically low. Why, they ask, should a taxpayer in Pittsburgh, who pays 25 cents to ride public transit, contribute toward financing New York's below-cost fares?

A. Under my proposal, the citizens of Pittsburgh would not be paying one penny toward maintenance of the 15-cent fare. Our operating expenditures are mandated by the legislature to be paid out of the farebox; what I have been talking about are capital expenditures which are underwritten out of the general revenues of the city.

There is something else that should be said about the 15-cent fare: it isn't a 15-cent fare at all for some New York City residents. Our economists and statisticians have determined that the man who uses the subway *and* owns real property in New York, and thus contributes to general revenues by paying real estate taxes, is paying between 23 and 24 cents a ride. I think this is not fully understood.

Q. Assuming the money becomes available, what projects will get priority in New York?

A. The single most important effort to us in the next few months is to begin to build a tunnel at 63rd Street under the East River. When it's built and proper connections made this will go far toward relieving the inhuman, intolerable crushing that we now have on the E and F lines of the IND line in Queens. We should have done this years ago.

The second thing I'd like to do is to relieve the congested conditions on the Lexington Avenue line by building an East Side subway, probably on Second Avenue all the way to the Bronx.

These two projects could be begun immediately if we had the money. They would relieve our present lines and also give us added capacity on those lines. Then we would be able to go to the people of New York and say to them—"Get out of your automobiles. Stay off the Long Island Expressway. Stay off the bridges and tunnels which are so overcrowded now, and come on to our new subway lines which are air-conditioned, automated—the finest subway lines anywhere."

Once we had accomplished these two objectives, then I would press vigorously for extensions of the subway lines into northern, central and southern Queens and Brooklyn—the burgeoning areas of New York.

Q. You mentioned automation and air-conditioning for new lines. What about the older, existing lines?

A. The only reason that the transit system is not air-conditioned is cost. Our lines are old and they were not designed for air-conditioning. In order to get the entire system air-conditioned, the suppliers would have to go into a massive research and development program to develop the right kind of units, and once they had done that, the only place they would be able to sell them would be the NYCTA, because our system is absolutely *sui generis*.

We conducted an experiment on air-conditioning not too long ago. It cost us quite a bit of money and it didn't work for a number of technical reasons. We could probably overcome the technical problems, but we cannot overcome cost. The best figures that are available, without further R&D, point to a cost of $200 million. With that $200 million we could build a large part of the East Side line and relieve the thousands who are crowded like cattle into the IRT. But the real problem is the annual operating cost. Our engineers tell us that in order to run an air-conditioning system for the three- or four-month period that would be necessary, we would have to pay some $20 million a year in extra power costs—almost double what we're already paying.

Q. And automation?

A. The New York City Transit Authority pioneered in the U.S. on this matter of rapid-transit automation—you will recall our experiment on the 42nd Street shuttle a few years ago. But it didn't work, for a number of reasons.

But I can say this: All future subways will be automated and air-conditioned, there's no question about that. At the right time we intend to send a task force of our middle-management people, who four or five years from now will be at the top, all over the world to look at other transit systems, from Tokyo to Milan, and from Barcelona to London and Paris, and bring back to us all the new exciting innovations taking place in the world so that those that are practical here can be built into our new subway systems. The people of New York are going to see subways the like of which they have never seen before. But first we've got to find the money.

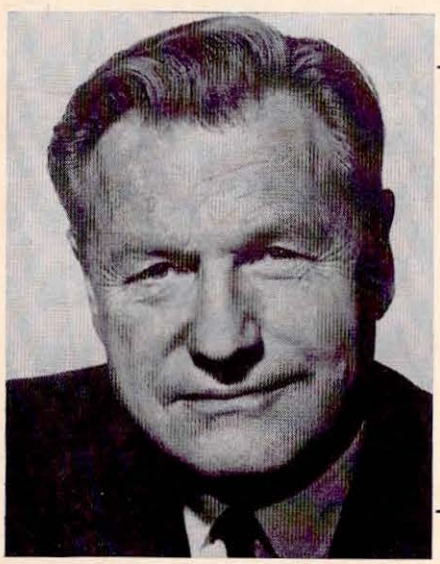
Q. New York's subway cars are sometimes unfavorably compared with those of other systems. Do you think the cars of tomorrow will differ substantially from those of today?

A. It must be understood that we're not running a guaranteed seat operation. We carry 4.5 million people in our subways on a typical week day with about two-thirds of them riding in the six rush hours. Our cars are built to handle this peak crush. San Francisco, for example, is different. Their system will be half commuter railroad and half mass transit, with lighter loads. They are starting from scratch with all the latest technological advances being incorporated in both car and wayside equipment. It must also be understood that we are the only mass transit system in the world that operates 24 hours a day.

As far as the exterior of subway cars is concerned, we've done a great deal. We brought stainless steel to the property. We're doing everything we can in terms of cosmetic effects. We have asked Raymond Loewy, the famed designer, to suggest a brand new configuration, and we have told him nothing is sacrosanct except safety devices.

Q. Have you considered the application of zone fares in New York?

A. Zone fares are like monorail—they sound great but they aren't very practical or realistic. For example, there's the problem of ticket collection. And there are other, more important considerations. The whole concept of zone fares is premised on distance from the central business district. Now, are the city fathers going to the people of New York and propose that the man who



GOV. ROCKEFELLER

TRANSIT'S PIONEERS

Q. Commissioner Gilhooley, who in your judgment are the political leaders who have given the most impetus to the present resurgence of transit?

A. I think first and foremost. Nelson A. Rockefeller, the Governor of New York. I think the contributions he has made spurred the interest and activity of our late President Kennedy, who was the first on the national level to take account of the needs of mass transit. And then, in terms of action, President Lyndon B. Johnson, who is responsible more than anyone else in the nation for the passage of the Mass Transit Act of 1964. Congressmen Rains and Widnall and Senator Williams have also been most helpful. But it was Governor Rockefeller who first alerted the nation to the problem; who first raised the distress signals and then did something positive about the mass transit problem on a regional basis.

lives in the East Sixties, who may earn $100,000 a year and has to travel only two or three stops in the subway to his office—that this man should pay 15 cents, while those from the poorer sections of the city, which are farthest removed from the central business district—the nether reaches of the Bronx or Harlem or Brooklyn—should pay two, three, four times that amount? Most comments I've heard on this subject are superficial and some downright fatuous.

Q. How about car replacement—is your present program adequate?

A. I would say not. It's a plan for replacing cars every 35 years. It was worked out some years ago with consulting engineers at a time when it did not appear that there would be any capital funds available beyond what New York City itself could provide. Now we know the federal government will provide capital help—the question is how much and how soon—and I think we can take another look at our program. My own judgment is that we ought not to keep our cars longer than 25 years.

Q. You are known as a long-time advocate of transportation unification in the New York area. What are the essentials of your plan?

A. My objective is a reorganization of all the disparate elements of transportation in New York City in order to achieve these two objectives—in the broad: First, the development *and* execution of a balanced transportation policy which will give proper emphasis to rubber and rail; second, the pooling of revenues from all elements of transportation—bridges, tunnels, highways, transit—to meet *total* transportation needs. Any plan that falls short of that isn't going to do the job.

Q. How, specifically, would you reorganize?

A. Through outright merger. A New York City Transportation Authority would come about through merger of the NYCTA, Triborough Bridge & Tunnel Authority, Department of Traffic, and the ferries under the Department of Marine and Aviation. The new authority would have power to set policy for, operate, and fix fares, tolls and charges on all existing or future subways, publicly owned buses, ferries, bridges, tunnels, public parking garages, parking meters, publicly owned parking lots and all other mass transportation facilities. The new authority would be empowered to pool all revenues from these facilities which could then be allocated among them all.

Q. Where does Robert Moses [chairman of the Triborough Bridge & Tunnel Authority] stand on this?

A. He's opposed to the plan but I think Mr. Moses knows unification is coming. I think, too, that he feels it's right that it should come. I also believe he knows that it can be lawyered and legislated properly to surmount all legal objections.

Q. Did this year's transit strike have any lasting effect on NYCTA traffic patterns?

A. It had a rather drastic immediate effect—the number of passengers declined by 7%. The fall-off has now leveled off at around 2%. There will be some lasting effect; how serious, I don't know.

Q. Apart from the strike, NYCTA has experienced a gradual and steady decline in riders. Is this trend going to continue?

A. I hope not. We had an interesting history here. When the Transit Authority was changed from a part-time to a full-time management in 1955, we began to see some results. The city, because of its confidence in the kind of management that had been provided, committed some $1 billion in capital improvements since that time. Beginning in 1958, to the surprise of everybody in the industry, and ourselves, and against the experience of every other transit system in the country, we began to show a steady increase in riders.

We were delighted, and thought we could trace it to the public's reaction to the new cars, the lengthening of platforms, new lighting and all of the other improvements we were bringing to the system. Then we ran into the first great newspaper strike in 1963, and from then on we began to lose riders. Why it happened nobody can tell us. The transit strike gave us another severe jolt.

Q. How do you propose to win back ridership?

A. First, we have got to hold our fare at the lowest possible level consistent with the best possible operation. Meanwhile, we must mobilize all the available political muscle in the metropolitan region and force a realistic consideration of our problem and a realistic extension in fiscal terms, on the federal level, of the Mass Transit Act. If we don't do these two things, I have fear for the future of the mass transit system in New York City.

Q. Commissioner, where do the commuter railroads—which themselves have grave problems—figure in your total transportation picture?

A. They figure very importantly in it. Ultimately, there has to be some kind of integration—either actual physical integration by organizational means, or close coordination betwen commuter roads, subways, buses, tunnels and bridges.

But the problem of the core of the city must take priority. You must organize work from the core outward—not from the periphery inward—and if we do it properly the regional job will eventually get done.

Q. What progress has been made toward integration or coordination with the Long Island Rail Road?

A. We have been able to negotiate an agreement with the MCTA [Metropolitan Commuter Transportation Authority] wherein they will build for the Long Island's use a third tube for our 63rd Street tunnel; and pay one third of the total cost. Also studies are now under way to determine whether Long Island trains can hook into our BMT lines and discharge passengers in the Wall Street area.

Q. In summary, Commissioner, what do you consider to be the over-riding need of the mass transit industry today?

A. I think we've simply got to find the capital monies to do the job that *must* be done to prevent transportation paralysis in our cities, large and small.

On another important level, I think that despite a number of very able men operating transit systems in various parts of the country, a fundamental weakness of our industry is that we don't have enough good, hard-driving, brainy, imaginative young men coming out of college into the transit industry. And this should apply both to the operating and supply sides. For by inevitable concomitance if capital monies are made available in the amounts we seek and need, then the transit industry is the industry of the future. We should set about developing personnel promoting programs and set up higher salary scales to attract the young men who can do a job in our growing industry that will make the nation and indeed the world sit up and take notice. ■

TRANSIT ROUNDUP

Skokie marks a two-year milestone

The Chicago Transit Authority is celebrating the second anniversary of its Skokie Swift.

Since April 20, 1964, the demonstration has chalked up about 3,500,000 riders, and proved to everyone's satisfaction that, if given the opportunity, and the service is good, commuters will desert their autos and ride to town by transit.

About 1,600 daily riders used to come into Chicago on the old North Shore line, but 3,900 passengers showed up on the very first day Skokie trains went into operation two years ago. Since then, the daily total has climbed steadily, and now averages over 7,000 riders per day.

HUD (and its predecessor HHFA) gave the federal aid that made the demonstration possible, with one-third matching funds coming jointly from the CTA and the Village of Skokie. With the termination of the demonstration phase, the last two parties are continuing sponsorship of the operation without further federal assistance.

A full report from Washington on the significance of the Skokie operation is due Sept. 1.

Meanwhile, Mayor Daley's proposed $195-million bond issue got the nod from the city planning commission. The proposal, including $28 million for rapid transit line extensions, goes to the voters June 14.

San Francisco

The Department of Housing and Urban Development made an $800,000 demonstration grant to the Bay Area Rapid Transit District.

Local matching funds of $400,000 bring the total up to $1,200,000, to be used for testing transit equipment and methods of operation.

Meanwhile, BART is going ahead with construction of its four-mile Trans-Bay tube, connecting San Francisco and Oakland.

At special ceremonies out on the Bay, several hundred civic leaders and BART officials turned out to watch Governor Brown of California man the controls of a floating dredge, and turn up the first load of mud from the Bay floor.

Tube construction involves sinking 57 individually fabricated sections into a trench dredged along the floor of the Bay. Each section is 300 ft long, and will have space for two transit tracks, plus utility and ventilating ducts.

At its deepest point, the tube will rest about 130 ft below the surface of the Bay. Sinking of tube sections will take place at the rate of about one every two weeks over a period of two years beginning late this year.

Completion is scheduled for late 1969, about eight months after the start of transit service on the East Bay lines of the BART system. Total cost of the tube, along with approach and ventilation facilities, is pegged at about $180 million, to be financed from automobile tolls on state-owned bridges in the Bay area.

Detroit

How much potential does rapid transit have in the Motor City? Quite a lot, according to David Q. Gaul, Executive Secretary of the Institute for Rapid Transit.

In a speech delivered before the Greater Detroit Board of Commerce, Gaul pointed out that Detroit's metropolitan population of 3.9 million placed it ahead of Cleveland, Boston and Toronto, all of which have rapid transit systems.

Furthermore, he noted, the metropolitan populations of both San Francisco and Washington, D.C. are smaller, yet both cities are building transit systems.

"It would seem obvious," said Gaul, "that Detroit should be considering some form of private right-of-way, grade-separated facilities. If it is the desire of the people of Detroit to maintain a strong central business district, we feel that the city's excellent highway facilities must be supplemented by improved transit service."

Local officials had already evinced some preliminary interest in unconventional types of transit systems such as monorail and Teletrans; Gaul urged the city's leaders to retain engineering consultants to determine the best type of operation for the area's needs.

Paris

The prototype car for the high-speed Regional Express will be shown in public for the first time next month—at the equipment show the French National Railways are putting on for visitors to the International Railway Congress meetings in Paris, June 16-23.

An interesting feature of the new car is that it is equipped with conventional steel wheels. This appears to represent a change of thinking among engineers of the RATP, committed until now to rubber-tired wheels.

Aluminum uses

Use of aluminum in building transit vehicles is growing—and Alcoa has issued a booklet to document this growth.

Orders in recent years for the Toronto, Chicago and PATH systems, and prototype vehicles for Pittsburgh's Transit Expressway and San Francisco's BART reflect growing utilization of the metal in carshells, underframes, smaller components and trimming.

Madrid

The Metro dates from 1919, and in view of the age of much of the rolling stock, a substantial car-ordering program appears to be in the cards.

Last year, the Metro took delivery of 60 new cars from the Spanish affiliates of General Electric and Westinghouse Electric. This year, another 120 cars of the same or similar type are being ordered—with tenders open to international bidding, apparently for the first time.

In addition to the need to replace overage cars, planned expansion of the system should also mean more new cars. One new line will be finished next year, and an 18-mile connecting line is under discussion with the government.

Santiago

During the past three years, technical teams from the U.S., West Germany, France, Britain and Japan have come to the Chilean capital with proposals for building a transit system. Apparently matters are now coming to a head, and French consultants will aid government officials in evaluating the various schemes that have been proposed.

—Joe Asher

First-quarter earnings might top '65 by 25%

Railroads and their suppliers seem headed for another good year, if present trends carry on through the rest of 1966. Carloadings and revenue ton-miles continue to forge ahead.

Despite some traffic losses due to bad winter weather and a brief but costly walkout by the Firemen, first-quarter net income for the railroads might be up as much as 25%—or about $30 million—over the corresponding period in 1965.

This was the consensus of some authoritative appraisals made last week of the industry's performance for the first three months of this year.

If the early estimates are borne out, it would mean industry earnings of $150 million for the period—the best showing since 1957's first-quarter profits of $163 million. Earnings for the first three months of 1965 amounted to $121 million.

A sampling of railroad income statements for the first quarter suggests that the industry may very well be on its way to another big year for gross revenues and net earnings. Last year, the carriers had a net of $815 million—up 17% over the previous year—and predictions are that 1966's profit picture will be even better.

Revenue freight carloadings—the yardstick for rail performance—are hitting a good stride, totaling 8,643,234 for the first 16 weeks of this year. In 1965 at this point, a total of 8,537,975 carloadings was recorded. Through mid-April, the railroads had racked up an estimated 204.1 billion revenue ton-miles, compared with 188.8 billion for the corresponding period last year.

The strike by miners in the Eastern bituminous coal fields caused a drop in carloadings that will be reflected in a number of railroads' second quarter earnings.

In the week ending April 16, for example, coal loadings were down to 70,334 from 103,743 a year ago.

● **Good earnings for N&W.** A 6% hike in merchandise traffic—which now brings Norfolk & Western 54% of its revenues—and a 10% increase in coal and coke revenues helped the road to show a profit of $21.9 million for the first quarter, up from $19.7 million in 1965.

Seaboard Air Line first-quarter net income dropped slightly due to higher operating expenses in January and February because of severe snowstorms and the firemen's strike.

The Seaboard's net income for the first quarter was $3.8 million, as opposed to $3.9 million last year.

Louisville & Nashville's net income for first quarter jumped to $5 million, compared with $4.5 million in the corresponding period in 1965.

● **NYC riding high.** The New York Central turned in one of the more dramatic earnings performances in the first quarter, racking up an increase of 398% over the corresponding period of 1965. On gross revenues of $160,609,237, the NYC showed a profit of $7,578,611—up from $1,520,650 in first quarter '65. Stockholders' per share take came to $1.11, compared with 22 cents last year.

Despite a continuing drop in passenger revenues, NYC's total operating revenues increased $3,662,352, or 2.3%, to $160,609,237.

PRR's income is up, too

The Central's proposed merger partner, the Pennsylvania, also showed income gains for the quarter, but not as spectacular. Consolidated profit for the first quarter rose to $15,505,000 from $13,018,000 in the corresponding period last year. Railroad operating revenues totaled $219,529,000, compared with $215,272,000 in the first three months of 1965.

The Pennsy said it was hit hard—to the tune of $6 to $7 million—by a crippling snow storm in January that blocked traffic on a number of its lines. Losses due to the strike by the Firemen, which began on the last day of the quarter, were described as "substantial."

● **C&NW does well.** The Chicago & North Western and its subsidiaries went from a net income of $42,947 in first quarter 1965 to $4,206,648 for the first period this year

The big increase, said a C&NW spokesman, was due to an improvement in earnings from the company's transportation operations and to the net income contribution from Velsicol Chemical Corp. and Michigan Chemical Corp., subsidiaries the railroad acquired in July of last year.

Missouri Pacific and its subsidiaries reported an income gain of $2,105,608 over the first quarter last year.

Net income for the first three months of 1966 came to $8,127,109 on total operating revenues of $106,673,480. Last year, MoPac had a first-quarter profit of $6,021,501 on revenues of $99,552,163.

● **Two for the winner's column.** The Reading and the Erie Lackawanna, who used red ink to record their first-quarter performances in 1965, were able to jot down their 1966 first quarter figures in black ink in the profit column.

Reading had net income of $411,000, an improvement of $1,018,000 over the net loss of $607,000 for the same period of 1965. Operating revenues rose $769,000 over the corresponding period last year, and expenses were cut $409,000.

E-L had a profit of $745,182 in the first quarter after fixed and contingent charges, compared with a loss of $1,437,763 in the first quarter of last year. The road had a $2.4 million gain in operating revenues, to $55.3 million. Last year, revenues were $52.9 million.

● **Slight gain for IC.** The Illinois Central's profit in the first three months of this year showed a small increase over last year's first quarter.

Net income for the first quarter came to $3,688,625, compared with $3,622,539. Divided up, it would mean a two-cent difference to shareholders, or $1.15 per share this year, as opposed to $1.13 last year.

● **Monon's net up.** The first quarter of 1966 was a good one for the Monon. The road's net income doubled from the 1965 first quarter, reaching a profit of $408,000 on operating revenue of $5,090,000. In the first three months last year, Monon had a net of $204,000 on revenue of $4,636,000.

Monon Chairman and President William C. Coleman said the carrier is in a good position to maintain the rate of first-quarter growth through the remainder of the year. He attributed the road's good earnings performance to more selective freight solicitation.

Pittsburgh & Lake Erie reflected the signs of the prosperous times in a first-quarter profit of $2,258,802—up from $1,789,499 earned in the corresponding period in 1965. Earnings per share came to $3.20, compared with $2.54 last year.

Richmond, Fredericksburg & Potomac showed a net income of $1,040,823 for the first quarter, down $7,021 from the net in 1965.

Western Maryland showed a profit increase of $103,000 for first-quarter 1966 over the comparable period last year. This year's net thus far amounts

to $1,304,000, compared with $1,201,000 a year ago.

Delaware & Hudson and its subsidiaries increased their net income for the first quarter, recording a profit of $1,088,327 as opposed to $877,633 in the corresponding period in 1965. D&H had gross revenues of $11,000,392 in the first three months of 1966, compared with $11,112,023 in 1965.

• **Reports from the West.** For the first quarter, Soo Line registered a hefty increase in net income, earning $1,302,849 on gross revenues of $21,245,048. A year ago, the road showed a net profit of $397,121 on revenues of $18,690,673.

Union Pacific earnings for January and February were up 27.6%, or $3,053,882 on the ICC basis over the two months a year ago. The two-month total was $14,134,528; after adjustment, net earnings were $11,134,528, up $2,453,882 for the two months.

In the first quarter, Great Northern said it experienced the worst freight car shortage in its history, but it still managed to show a profit of $5.6 million, up from $2.1 million in 1965. GN's gross operating revenues for the period were just over $59 million, against $53 million a year ago.

The Frisco had record first-quarter revenue and the best net income for the period since 1955. Profits were $2,354,180, compared with $2,015,999 in 1965, while revenues amounted to $37 million this year, and $35.8 million in first quarter '65.

The Milwaukee had its best first quarter in almost 20 years. Consolidated earnings for the three months were $3,537,203, compared with a deficit of $1,090,225 a year ago.

• **Supply business good.** The railroads' plans to spend an estimated $17 billion this year on capital improvements, plus another $1.6 billion for fuel, material and supplies (in addition to about $300 million to be spent by private carlines and leasing companies for new rolling stock) are keeping railroad supply companies busy.

As of April 1 of this year, Class I railroads and railroad owned and controlled private refrigerator car lines had 58,177 cars on order, compared with 40,223 on order on April 1, 1965. And orders for new cars and component parts keep rolling in.

Evans Products reported a 26% increase in earnings for the first quarter —the 17th consecutive quarter in which both sales and earnings improved over those for the corresponding period of the preceding year.

Evans' net earnings for the quarter were $2,169,000, compared with $1,724,000 for the first three months of 1965. Sales for the quarter hit $66-

(Continued on page 33)

LUTHER MILLER

AS THE EDITOR SEES IT...

REJOICE, BUT IN MODERATION—In the columns adjoining this one, news editor Ed Donlon reports on this year's first-quarter performance by railroads. It makes bullish reading. The news that railroads were able to increase their earnings by some 25% ought to gladden the hearts of all who are interested in the prosperity —indeed, the survival—of this industry.

But it is hardly cause for the kind of dancing in the streets, and thumping on wage-negotiation tables, that it may be expected to elicit in some quarters.

It should be borne in mind, by all concerned, that even if the encouraging estimates for the first quarter are borne out, the railroad rate of return on net investment will still be less than 4%. What would the utility companies—just to cite one example—do if confronted with a return that small? Probably call in a bankruptcy lawyer.

THE NUMBERS GAME—Myths die hard—and none has proved more durable than the myth of the "declining freight car fleet." The fact is that in terms of carrying capacity, this "declining" fleet has not declined one smidgen in the last ten years. There *has* been a 10% decline in terms of sheer numbers of cars during the decade; and it is against this mournful statistic that so many speechmakers and letters-to-the-editor writers seem to stumble and stop. If they went on to read the small print, they'd discover that during this same period the fleet has actually grown in terms of the ton-mile volume it can handle. Today's cars are substantially bigger than those they are replacing. The 54-ton car that went to the scrap heap last year was replaced by a 78-ton model, on the average.

For those who still want to play the numbers game, the year-to-year comparison in terms of numbers alone is now favorable. On Jan. 1, 1966, the fleet totaled 1,796,814 cars—a slight increase over the year-earlier figure.

But the "shrinking-fleet" story refuses to die. For some people, apparently, a myth is as good as a mile—even a ton-mile.

CHANGE (?)—The April issue of the Scientific American reported: "Professor Charles Joy of Columbia . . . remarked that the engineering problems involved in providing means of transit between different parts of New York City were not in the line of his studies or of his knowledge, but that the social or humanitarian side of the question . . . was of interest to every citizen. He wondered that the people of New York City did not rise in their majesty and put an end to the abuses . . . He had traveled during the past year 6,000 miles in Europe . . . He had traveled under ground and above ground, on water and land, and he had never experienced discomfort approaching that to which he had been subjected that evening in coming down from 49th Street to Cooper Institute."

The April, 1866, issue, that is to say.

One hundred years later, New York still has its transit problems—and they are explored in some detail by Transit Commissioner John Gilhooley in this week's cover story (which begins on page 14). A Republican who is firmly opposed to the current wave of proposals that Washington hand out operating subsidies to transit-troubled cities, Mr. Gilhooley nonetheless strongly favors a fixed-period capital subsidy that will, he feels, help correct the imbalance created by the lavish expenditure of federal funds on the automobile. He's thinking in terms of as much as $12 billion from the federal government over the next 25 years.

The man who used to write this column, when it was called "After Hours," once suggested that if railroad men ever had to go down to Washington, they shouldn't settle for peanuts. Mr. Gilhooley apparently agrees.

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Penn-Central, Yes; GNP&B, No

The Pennsylvania-New York Central merger won unanimous ICC approval—but the Northerns' merger lost by a 6-5 vote.

By WALTER J. TAFT

The new Pennsylvania New York Central Transportation Company, operating the nation's largest transportation system, is expected to be in business within a few weeks. It will be formed through merger of the Pennsylvania and New York Central which has been approved by a unanimous ICC decision.

The Commission's decision permits consummation of the merger plan within 35 days of April 27, the date on which the decision was served. And Chairman Stuart T. Saunders of PRR and President Alfred E. Perlman of NYC have said they anticipate no obstacles to consummation under conditions imposed by the Commission.

Also served April 27 was the Commission's 6-to-5 decision rejecting the Great Northern-Pacific-Burlington merger proposal (see page 27) and its decision denying the New Haven's application for authority to discontinue all passenger service, but giving that road some relief.

● **New Haven takeover ordered.** Conditions imposed by the Commission in approving the Penn-Central merger will require the merged company to take over New Haven passenger operations as well as that road's freight operations. They will also require the merged company to indemnify the Erie-Lackawanna, Delaware & Hudson and Boston & Maine against adverse effects of the merger on their revenues. As the Commision notes, this is "unique" protection for those roads. It would be a temporary arrangement, in effect until fates of E-L, D&H and B&M are determined. These roads are now before the Commission with petitions for inclusion in the Norfolk & Western system.

The Commission also called its employee-protection conditions "unique." They are on the attrition basis. PRR and NYC went along with this in agreements with the unions representing employees, and the Commission extended the same basis to non-union employees who might be adversely affected.

● **P&LE stays in.** The decision permits the merged company to keep the Pittsburgh & Lake Erie, but requires reciprocal switching arrangements in the Pittsburgh District. Inclusion of the New York, Susquehanna & Western is also required. Operation over that line is "vital in connecting applicants' lines," the report said. As to Lehigh Valley, it must be made available for inclusion in either the Chesapeake & Ohio or N&W. If such an arangement is not made, it is to be merged into the Penn-Central system.

Penn-Central will be what the Commission called an hour-glass shaped system flared on the East from Montreal, through Boston, to Norfolk, and on the West from Mackinaw City, Mich., Chicago, to St. Louis. Its lines will serve every important city east of the Mississippi and north of the Ohio and Potomac rivers.

● **$80-million savings.** Total assets will be about $5¼ billion and annual revenues will top $1½ billion. Eight years after its consummation, savings from the merger are expected to be on an $80-million annual level.

The Commission's report, by Commissioner Kenneth H. Tuggle, is a document of 75 printed pages, including a separate concurring expression by Commissioner William H. Tucker. Commissioner Howard G. Freas, dissenting-in-part, did not agree with the condition providing indemnities for E-L, D&H and B&M. Tucker registered again his opposition to the case-by-case approach. He has long favored merger of the merger cases.

AT A GLANCE

Penn-Central

Merger of the Pennsylvania and the New York Central was approved without a dissenting vote—provided Penn-Central takes over all freight and passenger operations of the bankrupt New Haven. In a press conference following the ICC's announcement April 27, the chief executives of the Pennsy and the Central indicated that this and other conditions of merger were acceptable. Probable effective date of the consolidation is June 1, 1966. Other conditions include these: Penn-Central must indemmify three other roads—Erie-Lackawanna, Delaware & Hudson and Boston & Maine—against losses they may incur from the merger on the basis of a formula spelled out by the ICC. There's also a provision for the Lehigh Valley, the road that has been left out in the cold by recent merger negotiations: If LV isn't brought into the N&W or C&O systems, it must be included in Penn-Central. All employment reductions brought about by the Penn-Central merger will be by attrition (as previously agreed to by the carriers and the unions; the ICC, in its decision approving the merger, extended this provision to non-union employees.

New Haven

The New Haven had petitioned for discontinuance of all remaining passenger service. The ICC denied this petition, ordering continuance of all commuter trains and about half of the New Haven's through passenger service until Jan. 1, 1967. Meanwhile, the Penn-Central—as a condition of merger—will have to make provision for continuance of New Haven services—freight and passenger—as ordered by the ICC. The ICC called upon local governments to assist the carriers in working out an acceptable solution to the New Haven's passenger problems.

GNP&B

In a down-to-the wire decision, the ICC turned down, by a vote of 6-5, the merger application of the Great Northern, Northern Pacific, Chicago, Burlington & Quincy, and Spokane Portland & Seattle. The ICC found that "the probable savings and benefits that would result from merger are more tangible than those derived from competition . . . but we are convinced that they are not as great . . . . We conclude, therefore, that the disadvantage of an appropriately conditioned merger—a drastic lessening of competition and adverse effects on carrier employees—outweigh the benefits that might be derived."

Two proceedings are involved in Penn-Central—the merger case, which is Finance Docket No. 21989, and the related application for authority to issue the necessary PRR securities, F. D. No. 21990. The consolidation plan contemplates merger of NYC into PRR. The stock-exchange ratio will be 1.3 shares of PRR stock for each share of NYC.

● **Little opposition.** As the Commission noted, most of the opposition to the merger had been withdrawn by the time it heard oral argument. The "only unqualified opposition" at that time came from Milton J. Shapp and "various local Pennsylvania political entities," the report said. It noted that the Department of Justice continued to argue that the application should be denied, but nevertheless acknowledged that "there are factors which may persuade us to approve the merger." In such an event, the Department urged conditions requiring inclusion of New Haven's passenger service and severance of the P&LE.

The Commission's discussion of the merger's merits got under way with a reference to the merged company's plans to undertake a program of extensive capital improvements. "Through 98 planned projects," the report said, "they will mesh their physical plants; renovate yards; improve roadway and track; install central traffic controls and generally improve signal, control and communication means; consolidate and modify certain maintenance facilities; and otherwise provide for the anticipated speedup of trains and growth of business."

● **Shipper benefits seen.** After spelling this out a bit, the report follows through to say there is "no question" but that the merger will permit more economical use of PRR and NYC facilities. It adds: "The economies realized through the merger operations will redound in large part to the benefit of shippers, and thus to the general public, either through the improved service thereby made possible or lower rates. For this reason, the merger has met with the almost unanimous approval, in principle, of shippers throughout the nation."

Announcing its awareness of the improved financial situations of PRR and NYC, the Commission headed into contentions that financial trends on which the merger application was bottomed might no longer be valid, the American economy having entered "a new era in which business is no longer susceptible to the traditional rhythm of expansion and recession." The Commission didn't buy all that optimism. It deemed it prudent to take a "somewhat longer look" at economic history.

"It is essential that U.S. railroads be permitted to reach their growth potential . . . Our merger will make more money available for reseach and development."
—PRR's STUART T. SAUNDERS

"We are now in a position to negotiate further to provide good passenger service for New England . . . If the states will meet their obligations, we will meet ours."
—NYC's ALFRED E. PERLMAN

"As a matter of fact," the report continued, "two and one-half years has been the average for all U.S. business expansion for more than a century. While the current upswing may be considered the longest peacetime expansion in American history, it is still over a year and a half short of the 80-month business rise of 1938-45.

"Since World War II business fluctuations either in duration of time or extent of fluctuations have not been evenly rythmical. The shortest period of business expansion was 25 months (1958-1960) and the longest (before the present upward cycle) was 45 months (1949-1953). The low point in the recession immediately preceding the present upward cycle was reached early in 1961.

'We recognize that economic growth has become an increasingly important function of government policy. However, it is generally recognized that there are strong forces, domestic and international, that defy control, and we still must be aware of the probability of economic inbalance and recession from time to time. Counsel for applicants stated at oral argument, 'I don't believe that the Commission should assume that the cyclical law of economics has been repealed in this country.' We make no such assumption."

Thus a "far-reaching decision such

PENN-CENTRAL AT A GLANCE

(Statistics for 1965)

	Pennsylvania Railroad	New York Central Railroad	TOTAL
Shares of common stock outstanding	13,858,639	6,849,319	.....
Shareowners of record	97,424	26,118	123,542
Number of employees	61,943	44,371	106,314
Operating revenues	$ 892,553,502	$ 661,453,842	$1,554,007,344
Net Income	$ 33,896,504	$ 41,518,728	$ 75,415,232
Earnings per share	$ 2.45	$ 6.06	.....
Assets	$2,402,415,574	$1,796,525,096	$4,198,940,670
Revenue ton miles	51,755,437,210	37,372,937,505	89,128,374,715
Revenue passenger miles	1,951,580,362	1,207,014,604	3,158,594,966
Revenue passenger miles excluding commuter service	1,593,383,266	871,571,923	2,464,955,189
Number of miles of road	9,569.72	9,786.64	19,356.36
Number of miles of track	22,087.89	18,825.02	40,912.91
Number of locomotives	2,541	1,965	4,506
Number of freight train cars	120,651	84,573	205,224
Number of passenger train cars	3,198	2,519	5,717

as this" should not be reached "with eyes closed to the very real danger that our economy may not always be as active and healthy as it is today. Even an expanding economy pauses occasionally to consolidate the gains of past growth."

That railroads are among the first to feel adverse effects of recession is next emphasized. "A general economic recession is not necessary, but merely a slowdown in the rate of expansion, to trigger a cut-back for railroads," the report continued.

● **Where the money goes.** It went on to express the Commission's concern about whether the improved earnings resulting from the merger would amount to a return sufficient to keep the merged company investing in railroad facilities. The Commission had in mind recent railroad investments in pipeline, land, chemical and electric companies.

"More and more of this type of investment can be expected, if adequate returns are not realized from funds invested in railroad operations," the report said. "A recent example of a large scale disinvestment of funds that could have been reinvested in railroad properties and operations is the Chicago & North Western's purchase of a chemical company for $90 million. The railroad paid $27 million, issued securities in the name of the chemical company for $63 million and acquired a corporation whose 1964 pre-tax income was $9,675,000, and whose income for the five years ending in 1964 amounted to approximately $10 million annually. That transaction required no authorization from us.

"In contrast, PRR received an average annual net income for the 10-year period 1955-1964 of only $14.3 million on assets worth $2.28 billion, while NYC with assets worth $1.76 billion received an average net income over the same period of only $13.1 million. We would not expect the applicants or any major railroad to immediately begin a decisive withdrawal of funds from transportation properties for investment in other enterprises, but if the present low trends were permitted to continue, significant withdrawals would become more attractive."

● **'No' to a four-system plan.** Among proposals of the Department of Justice was its call for a four-system plan in the East. The Commission dismissed that with this comment: "The plan which the applicants have placed before us may indeed not be the best conceivable; but we cannot, by denying this application, or by any other means, compel the eastern railroads to cast themselves in the Department's mold. Our jurisdiction under the Act of 1940 is limited to approving those alignments entered into voluntarily by railroads, and shown to be consistent with the public interest."

Here the Commission proceeded to trace the development of the Interstate Commerce Act's merger provisions which are now in Section 5. It said:

"We must begin with the important and fundamental changes in policies toward railroad consolidations and railroad competition wrought by the Transportation Act of 1920. Prior to that enactment, there existed a stringent policy against railroad consolidations as evidenced by the rigorous application of the antitrust laws to several such transactions. That policy sought to preserve competition and was based on an irrebuttable presumption that competition would endanger improvement in transportation rates and service. Inquiry into the actual effect on transportation was not necessary.

"By the Act of 1920, Congress placed the role of the antitrust laws in a different light. Consolidation of railroads in the interest of economy and efficiency was established as a national policy."

By quoting decisions of the United States Supreme Court, the Commission points up how that policy was continued and liberalized by the Transportation Act of 1940. That act relieved the Commission of formulating a nationwide consolidation plan, and authorized approval of voluntary plans. The Congressional plan, still in effect, thus became one "to facilitate merger and consolidation in the national transportation system," as one of the cited Court decisions put it.

● **Each case is different.** Whether the preservation of existing competition aids in the attainment of the Congressional objective "depends upon facts in particular situations," the Commission observed. It hastened to add that "important facts and circumstances regarding competition in this proceeding differ" from those in the Northerns' case on which it issued its adverse report the same day.

Meanwhile, however, the report noted that the present Section 5 does not list competition specifically among matters the Commission is required to consider in passing upon merger applications. Those matters "are framed in terms of effects on transportation service and the nation's transport needs, thus indicating Congressional concern for ends rather than means." So, the report explained that the Commission's examination of competition is "of its capacity as a means, not an end."

Then came an extended discussion of the antitrust angle with emphasis on how the Interstate Commerce Act endows Commission-approved mergers with immunity from the antitrust laws. The discussion relied heavily on the Supreme Court's recent decision in the Seaboard Air Line-Atlantic Coast Line case. The court set aside a lower-court ruling that the Commission was required to measure merger proposals by standards of the Clayton Act. That decision, however, does not preclude it from considering competitive consequences of a proposed railroad merger "by transportation standards," the Commission said.

● **A look at competitive angles.** Its elaboration of this was another detailed discussion of competition, including reference to provisions of the Interstate Commerce Act which curtails competition "to some extent." The Commission there had in mind provisions which require through routes and joint rates.

In the latter connection, the report noted that in every year of the 1952-1962 period, PRR interchanged more traffic with NYC than with any other railroad. This happened despite their location at 160 common points and their substantial amount of parallel trackage. As to the Justice Department's complaint that competition will be eliminated on more than a million carloads of traffic a year, the report said this is overhead traffic, "which constitutes about 15% of the applicants' carload traffic."

The report then completed its clearance of the competition angle as follows: "While it may be fairly concluded that applicants compete with each other on a substantial amount of overhead traffic, we are convinced that the lessening of competition as a result of the merger will not be unduly injurious to the public. The power of shippers to direct the routing, the availability of numerous routes in a dense network of interline routes, the influence of connecting carriers in preventing a deterioration in service on the joint routes in which they participate, the growing strength of the N&W and C&O-B&O systems, all stand to provide a check against any abuse of economic power by the merged applicants. In addition, we are prescribing conditions to maintain the stability and competence of alternate routes involving E-L, D&H and B&M.

"The powerful and growing threat of intermodal competition is a further deterrent to the Transportation Company in the use of its size and strength in a manner not consistent with the public interest. It is obvious from the record that a large part of the competition for freight traffic in the Eastern district is intermodal and not confined to railroads. There can be little doubt

that should the need—or opportunity—arise, other modes would quickly move in to take over much of the traffic now handled exclusively by rail."

● **No special protection for rails.** Moreover, the Commission warned that if a "service gap" turned up, it could grant operating authority to additional motor carriers and water carriers. "A railroad," it said, "is not entitled to absolute protection against the competition of other modes where its service fails to meet a public need."

In the Commission's opinion, the merged company will not want to run the risk of this prospect—because "once traffic is diverted to other means, and new traffic habits and customer relations are established, it is not easily regained."

● **NH: It won't be easy.** Explaining its condition calling for inclusion of all NH operations, the Commission said approval of the merger without that requirement would not be consistent with the public interest. The requirement reflects the Commission's "commitment to the conclusion that the public interest requires a complete restructuring of all New Haven operations." This "will not be easy," the report continued, adding: "It will demand coordination, cooperation and statesmanship on the part of many interests involved as well as the railroads. And we do not in any sense overlook the fact that, since New Haven is in bankruptcy, its inclusion will entail reorganization problems under Section 77 of the Bankruptcy Act which must be resolved in connection with any inclusion proceeding herein."

The plan to indemnify E-L, D&H and B&M is bottomed on a base revenue ratio computed from 1964 figures. Its purpose is to identify revenue losses those roads may suffer as a result of the merger, and to make up those losses. In imposing the condition the Commission anticipated that the beneficiaries will not relax their own solicitation efforts nor permit the quality of their service to decline upon the expectation that their traffic or revenues are guaranteed by the merged company. "Any evidence of such practices brought to our attention may be considered a prima-facie reason for reopening these proceedings to consider revision or deletion of the conditions."

As to Brooklyn Eastern District Terminal, which performs car-float services in New York harbor, the Commission said its petition for inclusion overstated its vulnerability to competition from the merged company. So the petition was denied—but without prejudice to its resubmission during a five-year period following the merger's consummation. ■

ICC rejects Northerns' petition by 6-5 vote

Rejection by the ICC of the Great Northern - Northern Pacific - Burlington merger proposal came in a 6-to-5 decision under fire of sharply-worded dissents. Among other charges the dissenters accused the Commission of missing an opportunity to exercise transportation statesmanship, abdicating its duty under the National Transportation Policy and going in for "far afield" talk "with demagogic overtones."

The adverse decision marks the first major setback for the current merger movement. It rejected Examiner Robert H. Murphy's recommended report which advised approval of the merger subject to conditions. The merger plan contemplated creation of a new company—Great Northern Pacific & Burlington Lines—to absorb GN, NP and Burlington and lease the Spokane, Portland & Seattle. That would have created a 25,000-mile system. Prospective annual savings were put at $43.2 million by the applicants.

Examiner Murphy cut this to $39.9 million and the Commission applied further discounts. It estimated that conditions necessary to protect the Chicago & North Western and the Milwaukee would trim the annual savings a maximum of $25.5 million and might make them as low as $12.7 million. To find that competition between the involved roads is not worth that "would be tantamount to a conclusion that the value of intramodal rail competition is negligible," the majority report said. Moreover, it added, "applicants are not short of capital; in fact, in recent years they have paid increasing dividends."

The Commission report was by Commissioner Charles A. Webb. Others comprising the majority were Chairman John W. Bush and Commissioners Virginia Mae Brown, William H. Tucker, Paul J. Tierney and Willard Deason. Dissenters were Commissioners Howard G. Freas, Kenneth H. Tuggle, Rupert L. Murphy, Laurence K. Walrath and Abe McGregor Goff. The first two wrote opinions in which all the other dissenters joined. All except Freas subscribed to Walrath's opinion, and Goff was alone on his.

● **Financial health checked.** After setting up the merger proposal, the majority report turned to the financial condition of the applicants. It found them "strong and growing stronger." Their financial health, it said, "is not merely the result of a booming national economy," since each earned net railway operating income even in the depression of the Thirties.

"The Commission's decision is, of course, a great disappointment . . . Study will be made of the Commission's report to decide what, if any, steps will be taken with regard to the decision."
—JOHN M. BUDD, PRESIDENT, GN.

The report buttoned up this general appraisal with this statement: "If there is any significant threat to the financial well-being of the major applicant railroads, the plight of most of the nation's railroads must be regarded as hopeless."

Unlike the examiner, the Commission was not impressed with the deterioration of applicants' earning power, 1960 compared with 1926. "A comparison of earnings in one of the worst railroad transportation years in recent history with earnings 35 years before, when rail carriers held a virtual monopoly in surface transportation, may be statistically correct but it does not support the examiner's pessimistic conclusion."

● **Who's for and against?** The Commission noted that the merger is supported by most shipper and related transportation interests in the territory involved. It conceded that such evidence is entitled to "great weight," but it is "counterbalanced by the opposing testimony and arguments of vitally affected agencies of govern-

ment—federal, state and local." The Department of Justice was among federal agencies in opposition. Congressional opponents included the Senate's Democratic leader — Senator Mike Mansfield of Montana.

No railroad sought to be included in the merger, but 10 major roads intervened seeking conditions designed to protect their competitive situations. As noted above, it was its consideration of conditions which would protect the Milwaukee and North Western which prompted the Commission to discount prospective savings to the point where it found them too small a price for the loss of competition. As to that, the report said that the applicants had indicated in their pleadings that "imposition of all the sought conditions might preclude consummation."

Meanwhile, the Commission suggested that some savings could be achieved through coordination without merger. It estimated them at about $5.3 million a year.

In discussing competitive aspects of the proposal the Commission devoted most attention to the prospective ending of competition between GN and NP. "Nearly all of the parties opposing the merger stress the importance of retaining the vigorous competition that now exists between the Northern lines," the report said. "Opponents contend that it will create a rail transportation monopoly within the states of Minnesota, North Dakota, Montana, and Washington, and will result in serious harm to the shipping public."

In this discussion of competition, the Commission was at pains to emphasize that it was not appraising the proposed merger by standards of the antitrust laws. On that score it cited the United States Supreme Court's recent decision in the Atlantic Coast Line-Seaboard Air Line case. In the present case, it said, "we have made the prescribed accommodation, neither ignoring the antitrust laws nor using their standards to measure the proposed consolidation."

● **Strength of competition is weighed.** As to the applicants' contention that other modes of transportation had made serious inroads on their traffic and earnings, the Commission conceded that there had been rapid growth of such competition. "However, it added, "the intermodal competition faced by applicants is not as strong as that which exists in other parts of the country." In the Seaboard-Coast Line case, the Commission was much more impressed with the intermodal competition as it approved merger of those relatively prosperous roads whose lines were more parallel than complementary.

As to the Northerns, the report said they increased their traffic substantially in the 1960-1964 period, and they "have made a successful transformation from the role of jack-of-all trades to the performance of transportation services better reflecting their inherent advantages." Along the same line, the report elsewhere had this to say:

"We believe that diversionary losses to intermodal competition have been more than offset by increases in traffic resulting from exploitation of the rails' inherent advantage in high-volume, long-haul movements. . . The extremely long hauls of applicants greatly . . . reduce effective motor carrier competition. The examiner recognized that the long-haul, lower-rated production of the West, principally agricultural, forest and mineral products, is 'generally not attractive to motor carriers' and 'is entirely dependent upon rail transportation.' However, he failed to consider that applicants also enjoy a similar advantage on interterritorial movements of manufactured articles. . . .

"To counteract diversion of traffic by other modes, applicants have improved their services and have made many rate innovations and adjustments. It is abundantly clear that applicants have been successful in preventing avoidable diversion of traffic that is better adapted to transportation by rail."

● **The benefits of competition.** Despite shipper support for the merger, the Commission found it clear that the shipping public "derives substantial benefits from existing competition between applicants themselves and between applicants and other railroads." Here the report also noted that "some shippers supporting the application expressed a preference for the preservation of rail competition, if feasible."

The report noted that the present case was the fourth merger undertaking of two or more of the applicants now involved. In 1893, a GN undertaking to obtain control of NP was found to be in violation of a Minnesota statute prohibiting the consolidation of parallel and competing lines. The second undertaking failed in 1904 when the United States Supreme Court ruled, in the Northern Securities case, that Northern's control of NP and GN was an illegal combination in restraint of trade.

The third undertaking to join GN and NP was approved by the ICC in 1927, subject, however, to a condition requiring the merged company to divest itself of control of the Burlington, which GN and NP have owned jointly since 1901.

The divestiture condition was unacceptable to the parties, so the transaction was not consummated.

The Commision's decision in the 1927 case is not a precedent for finding that consolidation of GN and NP would be consistent with the public interest, the present report said. At that time, it explained, the Commission was required to develop a consolidation plan. "Today," the report added, "we are not authorized to review merger proposals in accordance with any preconceived plan to encourage consolidation of the nation's railroads."

● **Checklist of considerations.** The report then proceeded to list matters which must be considered under the present Section I. On the list is consideration of petitions of other roads for inclusion, the resulting fixed charges, the effect on employees and the effect of "adequate transportation service to the public."

The latter is the basis of the Commission's concern about lessened competition, even though contemporaneous report approving merger of the Pennsylvania and New York Central emphasized that competition was not specifically mentioned in Section 5.

As it here reads the legislative history of the present Section 5, however, the Commission said it "clearly shows that Congress did not adopt a policy of fostering or encouraging railroad unifications. It was the Transportation Act of 1920, not the Transportation Act of 1940, that embodied a policy favoring railroad consolidations." Thus, "the examiner's belief that the Transportation Act of 1940 continued the policy of favoring railroad mergers is an error which permeates the recommended report and which may have prompted charges that he was predisposed to grant the applications."

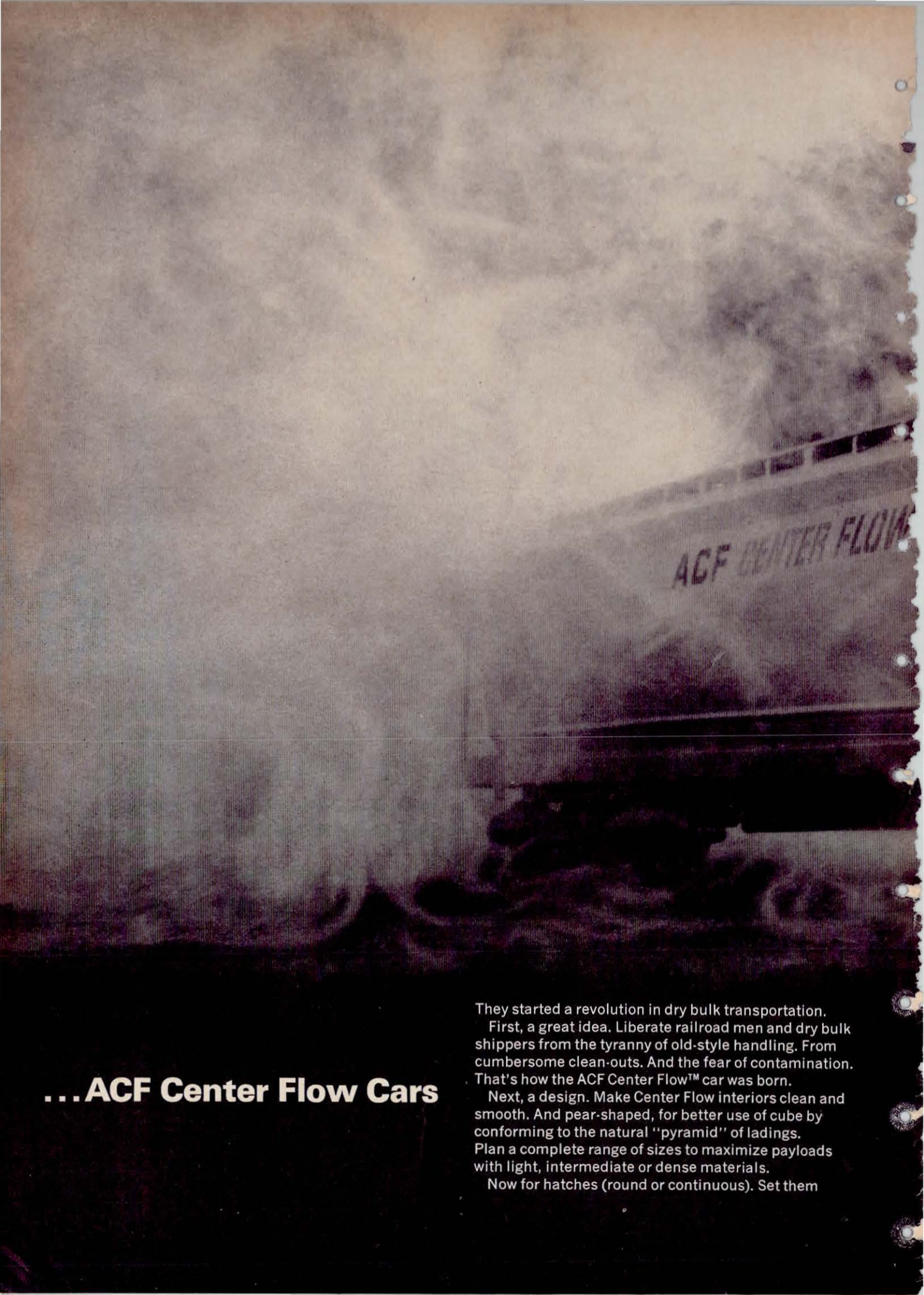
The latter is a reference to a side issue, decided by the Commission in a separate unanimous report by Commissioner Walrath. It found no basis for the charges, holding that a "full and fair hearing was afforded."

Commissioner Freas' dissent expressed his view that applications should have been granted. "A suitably conditioned grant," he said, "would not lessen rail competition materially and would substantially enhance competition among modes." Though the applicants are now relatively prosperous, Freas said he could not subscribe to the view that they "should sit idly by, complacently watching the eroding of their position, until opportunity for self-help has passed them by."

It was Commissioner Tuggle, writer of the majority report approving Penn-Central, whose dissent here accused the Commission of having abdicated its duty under the National Transportation Policy. Tuggle wrote his separate ex-

(*Continued on page 32*)

What does it take to start a revolution?



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WATCHING **WASHINGTON** WITH WALTER TAFT

TAFT

BOOST FOR POSITIVE POLICY MAKING—The ICC's vice chairman, Commissioner William H. Tucker, has found new support for his view that regulatory agencies should go in for more positive approaches to the development and articulation of public policy. He reported this in a recent address at Kansas City, before the National Conference of State Transportation Specialists. In advancing his view, Tucker has frequently argued that the case-by-case approach is not enough. And he has often spoken favorably of one of the alternatives—policy development by rule-making proceedings.

Such a proceeding is usually instituted by a regulatory agency on its own motion (though sometimes in response to petitions of interested parties) to deal with rules and standards for the future, rather than an adversary dispute. Tucker's new support is embraced by him as "a current, animated, and very positive exposition of the function of policy and policymaking in the scheme of transportation regulation." It comes from a March 2 decision of the U.S. Court of Appeals for the District of Columbia, which upheld the Civil Aeronautics Board in an air-cargo case.

UNIQUELY LUCID DEFINITION—"Rule making," the Court said, "is a vital part of the administrative process, particularly adapted to and needful for sound evolution of policy in guiding the future development of industries subject to intensive administrative regulation in the public interest." Tucker calls this a "uniquely lucid definition" of policy for purposes of economic regulation.

The Commissioner follows through to explain that he thinks the Court there told the whole story of what regulatory policy means—"It lets us know, clearly and unequivocally, that regulatory policy should be geared not to the exclusive interest of the regulated industry; not to the sole interests of participants in particular proceedings before administrative agencies; but to the public interest as a whole."

ANOTHER SHOT AT CASE-BY-CASE APPROACH—Tucker understands that the Court also cleared the case-by-case approach where regulatory agencies prefer it. He doesn't think much of that approach, however, because he thinks it rejects the idea that a regulator is obligated to do more than just decide each case.

To him that looks like a distorted kind of judicial restraint, used to excuse the regulator from the "real task of looking beyond the narrow confines of the particular proceedings under consideration." And it makes him wonder, "at least whimsically," whether computers could do the job more consistently, "if less sociably," than human regulators.

PROGRESS AT ICC—At the ICC, Tucker thinks much progress has been made on the positive approach to policy making. He is particularly impressed with the work of the Commission's Policy and Planning Committee which has been functioning since 1963. Tucker was a member of this Committee for three years, and served as its 1965 chairman. Its present members are Commissioners Paul J. Tierney (chairman), Charles A. Webb and Virginia Mae Brown.

Originally an autonomous unit, the Committee now reports to the Chairman of the Commission. Tucker reports that this arrangement is working out well, because it increases the Committee's responsiveness to the Chairman's goals. He concedes that the Committee is not a cure-all for all problems the Commission faces in meeting its policy responsibilities—but he welcomes it as a beginning on which "even more productive steps will be built." Tucker is scheduled to be the Commission's 1967 chairman if the present plan of rotating that office annually remains in effect. In his recent transportation message, President Johnson announced that he plans to seek Congressional clearance of a government reorgaization plan giving him authority to appoint the Commission chairman.

(Continued from page 28)

pression "to emphasize the Commission's excursion into a transportation netherland."

He identified two majority points of departure—it "misapplied the law" and "fumbled the facts." In the former conection, Tuggle challenged the majority's suggestion that consolidations are less favored under the 1940 Act than they were before. "Plainly and simply," he insisted, "the act of 1940 was intended to eliminate certain obstacles to carrier consolidations." He called it "an exercise in futility" for the Commission to attribute new meaning to the law when the Supreme Court "has repeatedly and consistently construed it otherwise."

It was also Tuggle who accused the Commission of talking with "demagogic overtones." He had reference there to what he read as the majority report's suggestion of "a standard that would attempt to weigh human suffering against monetary benefits to corporations." Tuggle added: "While championing the cause of humanity as against corporate profits may on proper occasion be lauded, its emphasis in this decision is misplaced. As a legal-technical matter, it has little relevance here; and as a factual matter, the likelihood of human suffering is nowhere in evidence."

It was the Walrath dissent which deplored the Commission's failure to exercise transportation statesmanship. The case offered the opportunity "for the bold and imaginative, not to say dynamic statement of regulatory policy," Walrath said. He continued:

"It is the nature of the basic transportation law and industry that such opportunity is almost confined to cases such as this, arising under Section 5(2) and involving far-reaching proposals submitted by significant segments of that industry.

"The majority's out-of-hand rejection of that opportunity here smacks of an affiinity for the status quo indicating a casual lack of appreciation of its realities as spelled out in this record, as well as an apparent leaning toward regulation by slogan, and represents an inconsistency difficult to explain away. Such characteristics are emphasized by the report's repeated tendency vigorously to march up to many of the fundamental issues only to fall away in apparent confusion and, ultimately, to seek refuge in the obsolete application of the generally valid concept of competition. Such treatment, if it were not so iniurious to the potential of the national transportation system, woud, all things considered. not be without a certain humor." ■

Circle 8 on reader service card➤

First-quarter earnings rise

(Continued from page 21)

440,000—also a 26% jump over the $52,572,000 for the first quarter of 1965.

Monford A. Orloff, Evans chairman, estimates that the company's sales for the year will top $300 million, and net earnings will be about $11.1 million, up from the net profit of $8.4 million last year.

General Signal Corp. realized a 24% increase in profits in the first quarter, the 12th consecutive quarter the company has registered an increase over corresponding quarterly earnings.

General Signal's net earnings were $1,164,706, up from $940,327 a year ago.

General Steel Industries had a slight drop in profits for the first quarter—$757,884, after taxes compared with $795,121 in 1965—but the company expects 1966 as a whole to be a better year for it than 1965. A good reason: backlog of unfilled orders as of March 31 was $74 million, compared with $65 million on December 31, 1965.

AMSTED Industries reported a 32% increase in earnings for the first quarter compared with the corresponding period of 1965.

Net income amounted to $3,406,000, up from $2,585,000 in the first period last year. Sales increased to $47,985,000 from $42,996,000. Earnings in the six months ended March 31 ($6,003,000) were the highest for any first-half year period in the company's history.

"The record results," explained President Joseph B. Lanterman, "were primarily attributable to increased sales of railroad products as a result of the high level of freight car building and reduced federal taxes on income."

Westinghouse Air Brake net earnings for the first quarter are estimated to be up about 15%. As for 1966 in total, WABCO anticipates an increase in consolidated operating results.

In the six months ending March 31, Aeroquip Corp. scored the greatest first half earnings in its history. Profits at the mid-point of the 1966 fiscal year were up 62%, with net sales up 31% over the corresponding months of 1965.

The company had net earnings of $2,995,679 for the six months, compared with $1,848,077 for the period last year.

Stanray Corp. reported higher sales for the first quarter of 1966, but the company experienced a slight decrease in earnings. Profits amounted to $415,000 for the three months, down from $478,000 in the 1965 period. ■

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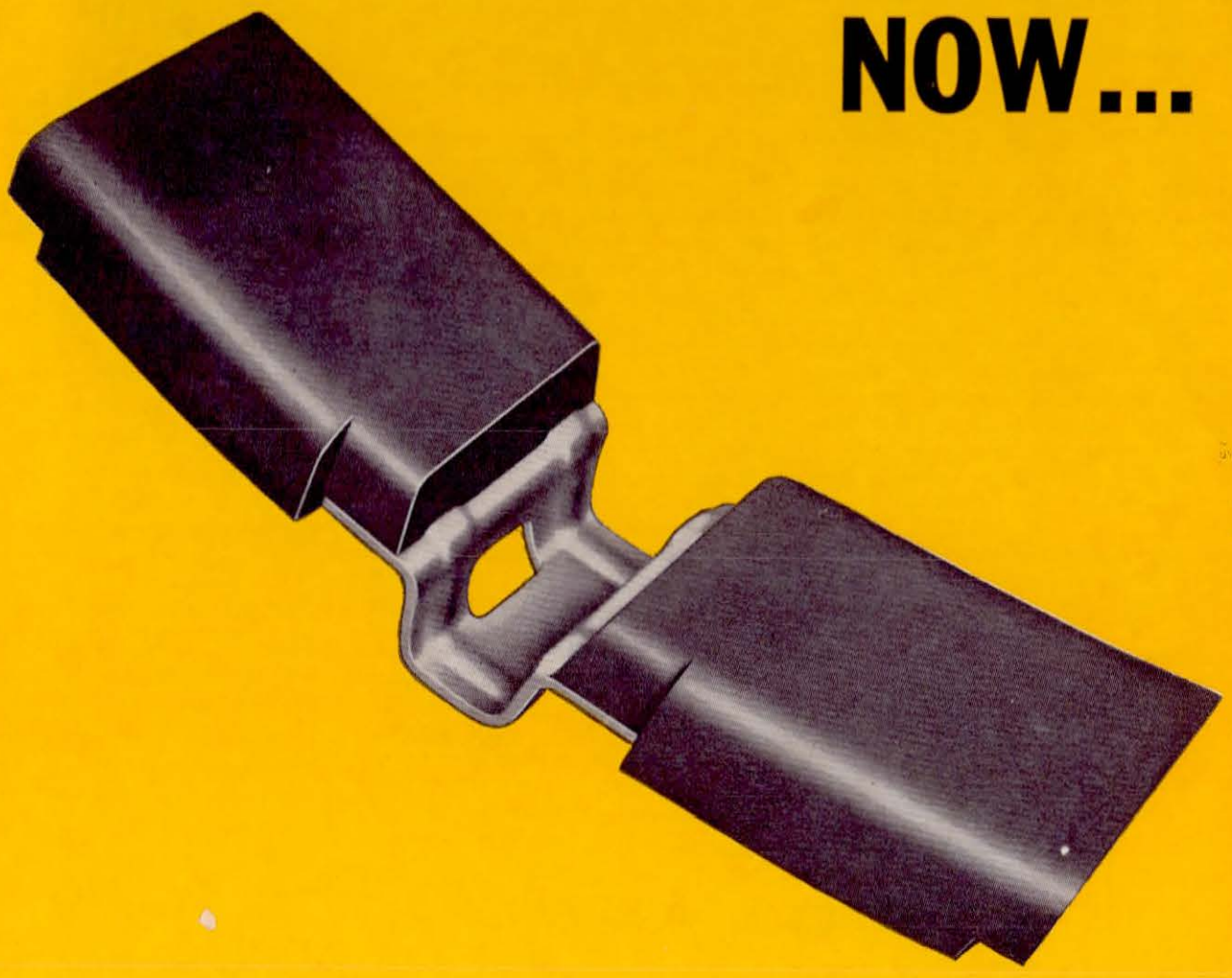

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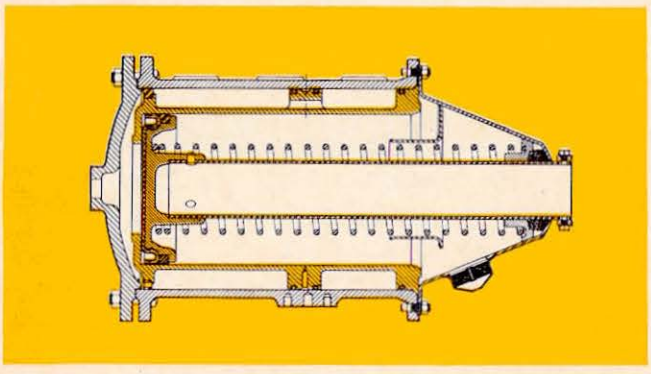

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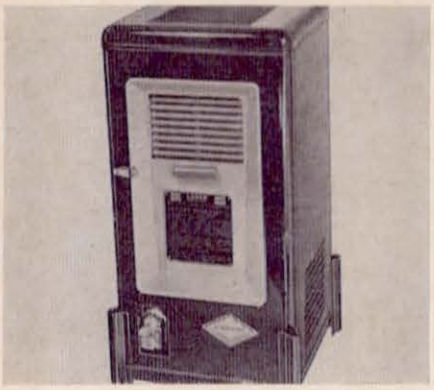
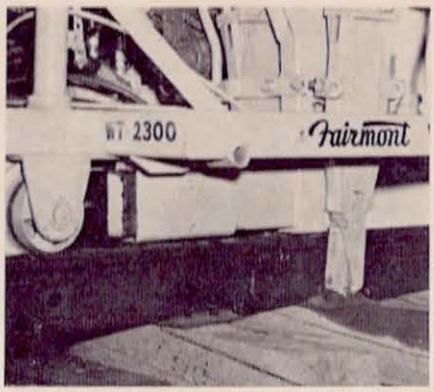
NEW **PRODUCTS** REPORT



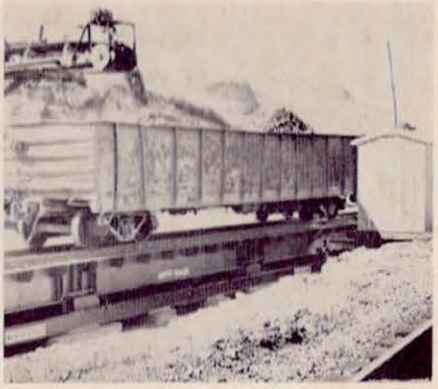
Cargo Heater (RA-1)

The Caban Model PCH-56 cargo heater for over-the-road vehicles has an output of 30,000 Btu and is thermostatically controlled. The 35-in.-high, 18½-in.-wide, and 17½-in.-deep unit is placed on the floor of a trailer with the front of the unit facing trailer doors. The heater is propane fired, and fuel consumption is 0.30 gallons (maximum) per hour. All adjustments may be made through opening on front of heater. *Vapor Corporation.*



Dual Spike Puller (RA-2)

A new Fairmont machine, designated the Dual Spike Puller W113 Series A, has been made available for removing two track spikes in one cycle. It has two pulling cylinders that straddle the rail. The mounting is adjustable to match the spike pattern and the height of the rail. The machine is self-propelled by a two-speed hydraulic drive to all four wheels, and a disc brake that operates automatically when working. *Fairmont Railway Motors, Inc.*



Track Scale (RA-3)

A new 150-ton portable railroad track scale for job-site weighing of loaded gondolas, hopper cars, tank cars, dump cars and other freight cars has been introduced. No pit is required for installation. After the existing track has been removed, installation of this 70-foot scale requires only shallow excavation and simple concrete footings. When footings have been installed, the scale can be in operation in 12 hours. *Sturges & Associates.*

Herbicide Applicator (RA-4)

What is said to be the first of a fleet of on/off-track trucks designed for the application of wettable powders, emulsified concentrates and oil concentrate herbicides has been recently introduced. It is designed for weed-control programs in yards and along branch lines up to 200 miles in length.

The new unit is outfitted with a 2,000-gallon tank and equipment for both weed and brush control. The rig is able to spray while moving both forward and in reverse, and can be moved easily from one track to another without expensive back-tracking.

It is reported that the new truck units will give the company a complete line of weed-control equipment for railroads. It already has a fleet of on/off track trucks equipped with air-blast spreaders, 300-gallon tanks and spray booms. These units are able to spread granular herbicide evenly up to 10 feet on both sides of the track center and permit application of herbicides to large test blocks. It also has a fleet of spray trains and hand-operated equipment. *Allied Chemical Corp.*

Moveable Tandem (RA-5)

The Model 7000 movable tandem which operates on rollers, provides frictional release and tandem adjustment by idling the motor. Slide is designed with six rollers, three on each side always under the trailer's cross-members. The roller is 4¾ in. in diameter supported by 1-in. hardened-steel pin. Grease compartments are factory lubricated. Lubricant remains operable at temperatures from minus 70 to plus 300 deg F. *Binkley Co.*

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MARKET OUTLOOK

Carloadings

Loadings of revenue freight in the week ended April 23 totaled 543,639 cars, the Association of American Railroads announced on April 28. This was an increase of 590 cars, or 0.1%, compared with the previous week; a decrease of 26,850 cars, or 4.7%, compared with the corresponding week last year; and a decrease of 15,008 cars, or 2.7%, compared with the equivalent 1964 week. Ton-miles generated by carloadings in the week ended April 23 are estimated at 13.6 billion, an increase of 1.0% above the corresponding week of 1965, and 7.2% above the 1964 week.

REVENUE FREIGHT CARLOADINGS
For the week ended Saturday, April 23

District	1966	1965	1964
Eastern, including Allegheny and Pocahontas ..	195,378	238,072	224,434
Southern	115,675	114,818	112,268
Total Eastern and Southern Districts	311,053	352,890	336,702
Northwestern .	77,458	69,219	71,212
Central Western	114,525	108,626	111,364
Southwestern .	40,603	39,754	39,369
Total Western Districts	232,586	217,599	221,945
Total All Roads	543,639	570,489	558,647
Commodities:			
Grain and Grain products	52,615	46,372	45,694
Livestock	1,935	1,997	2,651
Coal	62,029	108,489	105,028
Coke	9,352	9,713	8,093
Forest Products	40,565	37,497	38,168
Ore	41,014	38,223	36,184
Merchandise l.c.l.	6,584	9,349	13,258
Miscellaneous .	329,545	318,849	309,571
April 23	543,639	570,489	558,647
April 16	543,049	547,742	569,321
April 9	568,412	557,067	516,434
April 2	544,385	542,094	508,150
March 26	570,481	534,565	513,930
Cumulative total, 16 weeks	8,643,234	8,537,975	8,351,962
Estimated revenue ton-miles (billions) 16 weeks	217.8	202.3	196.2

PIGGYBACK CARLOADINGS—U.S. piggyback loadings for the week ended April 16 totaled 21,732 cars, carrying 35,791 trailers, compared with 19,155 cars, carrying 30,610 trailers in the corresponding period of 1965. Loadings for 1966 up to April 16 totaled 313,377 cars, carrying 518,-111 trailers, compared with 284,773 cars, carrying 458,604 trailers, in the corresponding period of 1965.

IN CANADA—Carloadings for the seven-day period ended April 7 totaled 79,815 cars, compared with 120,-804 for the previous ten-day period, according to the Dominion Bureau of Statistics.

	Revenue Cars Loaded	Total Cars Rec'd from Connections
Totals for Canada		
April 7, 1966	79,815	25,978
April 7, 1965	70,419	26,095
Cumulative Totals		
April 7, 1966	1,027,962	358,609
April 7, 1965	948,985	334,226

FREIGHT-TRAIN CARS

► *Grand Trunk Western.*—Ordered 202 70-ton, 60-ft, 9-in. box cars from Pullman-Standard. Deliveries are to be completed in December.

► *Seaboard Air Line.*—Ordered 900 new freight cars at a cost of $14 million. The order includes 800 covered hoppers to be built by Pullman-Standard, and 100 cushion underframe 90-ton bulkhead flat cars, to be built by Thrall Car. The hoppers will be used for phosphate rock products and fertilizers. A total of 300 of the hoppers will be of 3,933-cu-ft capacity, and 500 will have a capacity of 2,929 cu ft. Delivery of all cars will begin in December and will be completed in January 1967.

► *Southern.*—Ordered 700 all-steel 100-ton, 4,000-cu-ft covered hopper cars from Magor Car. In February the Southern ordered 500 similar cars. The total order for 1,200 cars will cost the road some $18.5 million. Deliveries will begin in June and the total order will be completed during the year. The cars will be used to haul clay, cement, phosphate rock, lime, hot petroleum, coke and similar commodities.

► *Deliveries increase.*—Orders for new freight cars in March totaled 11,260, compared with 12,707 in February and 7,615 in March 1965. Deliveries of new freight cars totaled 8,054 in March, compared with 6,262 in February and 6,555 in March 1965. Backlog of cars on order and undelivered as of April 1 showed 11,816 on order in railroad shops and 42,725 with contract car builders for a total of 54,541. This compared with 51,760 on order Mar. 1, 1966, and 36,491 on order April 1, 1965. As of April 1, a total of 10,490 cars were scheduled for rebuilding, compared with 10,249 on Mar. 1, 1966 and 7,840 on Mar. 1, 1965.

PIGGYBACK

► *Trailer Train.*—Ordered 130 low level flat cars from ACF, 301 standard level flat cars from Bethlehem Steel, and 156 low level and 55 standard level flat cars from Pullman-Standard. The total order of 642 cars brings Trailer Train car purchases to 3,083 for the period Jan. 1 to April 21, 1966. The TTX fleet in service and on order as of April 21 was 33,182 cars.

NEW EQUIPMENT

► *Louisville & Nashville.*—Leased 250 new automotive vehicles from Litsinger-Bell Leasing, Inc., to implement management and maintenance control systems made possible by L&N's EDP capability.

NEW FACILITIES

► *Rio Grande.*—Major projects include installation of voice carrier, Teletype carrier and Teletype machines to handle data for the road's new General Electric computer system, $435,445; and installation of CTC and extension of sidings over 27 miles between Woods Cross and Transfer (Ogden), Utah, $337,550. Rio Grande also has scheduled a six-mile line change necessitated by Interstate highway construction between Glenwood Springs and Chacra, Colo. Total cost of the project is estimated at $1,743,340, of which the railroad's share is $85,210.

YOU OUGHT TO KNOW

Freight cars: A rolling revolution: The multi-model trend of today's automobiles is matched by a similar pattern in box cars being built to handle automobile parts. L. H. Mulbarger, manager of sales engineering for ACF's American Car & Foundry division terms this a virtual revolution in car design and manufacture, supporting his observation with an analysis of the auto-parts cars being built at ACF's St. Louis, Mo., plant which now has its highest backlog in history. A typical production run of 600 60-foot auto-parts cars, members of ACF's Precision Design box car family, says Mulbarger, can include orders from ten railroads for from one to 200 cars with as many as 25 variations. "Most variations are attributable to interior equipment needed to transport a high quantity of a specific component," he explains. "This new breed of box car is helping railroads recapture specific, specialized portions of the distribution market." He notes that the auto-parts cars could readily be stripped of their special interior equipment and used to transport newsprint and general-service ladings.

Youth fares on Northern Pacific: Lower passenger fares for young people would be an incentive for students and others to become familiar with travel by train, the Northern Pacific reasons. So, the railroad is asking the ICC to let it set up a special scale of Youth Fares on its trains. The new fares, which would reduce by a half the regular coach fare for a one-way trip, and the one-way coach fare for a round trip, would apply to those in the 12 through 21 year-old age group. Youth fares would be honored on all NP trains except the Vista-Dome "North Coast Limited," and not between the Twin Cities and Duluth, and between Portland and Seattle.

Transit pays its way: Cleveland's Transit system, which includes both rail and bus operations that run without benefit of tax subsidies, came through 1965 with a profit of $437,972, according to the annual report just released by CTS. The net income figure—highest since 1959—compares with $222,647 in 1964 and $116,-351 in 1963. "The transit picture is becoming brighter day by day as the center of attention appears to be swinging from the private automobile back to mass transportation," said General Manager Donald C. Hyde. "The idea that there is no substitute for transit is gradually growing throughout the country."

Tank car insulation: General American's foam-in-place insulation shop at Sharon, Pa., is now in fullscale operation and can insulate as many as 250 GATX tank cars per month, according to the company. In a new building 320 feet long, 50 feet wide and 30 feet high, the cars can undergo the three basic processes in foam-in-place insulation: environmental temperature conditioning to 80 degrees Fahrenheit prior to insulation application, foaming the polyurethane between the jacket and the tank of each car, and curing and inspection.

Getting to know you: New York Central wants to learn more about the commuting habits of its 40,000 daily suburban passengers, so it's passing out coupon-type tickets to determine traffic patterns. Each passenger, when purchasing a May commutation ticket, is requested to specify his actual station, although he can ride to any other station in the same fare zone. The more than 2 million ticket coupons to be used in the study are mechanically coded and will be run through computers to obtain needed data on how many people ride which trains, between what stations, and how frequently.

MoPac wants support before ICC: Missouri Pacific is distributing a booklet in which it states the reasons why it should be supported before the ICC in its bid to buy the Alton & Southern. It is asking shippers, communities and civic groups to back its application. Cotton Belt is also trying to buy the A&S.

Truck tonnage: Intercity truck tonnage in the week ended April 16 was 0.2% above that of the previous week, and 7.9% ahead of the volume in the corresponding week of 1965, according to American Trucking Associations.

Current statistics

Net Income	
12 mos., 1965	$815,000,000
12 mos., 1964	694,000,000
Carloadings, revenue freight	
16 wks., 1966	8,643,234
16 wks., 1965	8,537,975
Freight cars on order	
Apr. 1, 1966	54,541
Apr. 1, 1965	36,491
Freight cars delivered	
3 mos., 1966	22,041
3 mos., 1965	19,608
Serviceable cars	
Mar. 1, 1966	1,400,754
Mar. 1, 1965	1,398,903

Ross B. Luitjens
Frisco

James L. Phleger
Milwaukee

William J. Fox
UP

Larry B. Miller
Kemlite

PEOPLE

ALASKA STEAMSHIP CO.—**A. E. Holman** appointed assistant traffic manager—rates and divisions, Seattle, Wash.

BANGOR & AROOSTOOK.—**Palmer H. Swales,** chief engineer, Houlton, Me., appointed manager of operations, Bangor, succeeding **Harold C. Duffy,** who will retire June 30, after 42 years service. **Vinal J. Welch,** principal assistant engineer, Houlton, named to succeed Mr. Swales as chief engineer. **Carvell G. Hatfield,** assistant engineer, succeeds Mr. Welch as principal assistant engineer.

BRITISH COLUMBIA HYDRO & POWER AUTHORITY.—**R. R. Johnston,** general freight agent—sales and service, Vancouver, appointed freight traffic manager, succeeding **S. B. Peach,** named to a senior position in the Financial Division. **E. C. Ellis,** senior freight traffic representative, succeeds Mr. Johnston. **G. I. Stevenson,** chief clerk, appointed general freight agent—rates and divisions, succeeding **W. A. Vance,** who retired Dec. 31 after more than 47 years of service.

FRISCO.—**J. R. McKinney, Jr.,** traffic representative, Macon, Ga., named district sales manager, Savannah, Ga., to succeed **F. C. Reid,** transferred to the sales department, Birmingham, Ala. **R. B. Shelton** and **S. B. Herndon** named sales representatives, Macon, Ga., and Joplin, Mo., respectively.

Ross B. Luitjens named traffic manager-grain and grain products, St. Louis. He was formerly traffic manager, Mid-South Division, **Continental Grain Co.**

MILWAUKEE.—**James L. Phleger,** assistant to general traffic manager, Chicago, named assistant to vice president-sales and service there.

SOUTHERN PACIFIC.—The Law Department's Washington, D.C., office will be closed July 31. General Attorney **J. C. Waterman** will

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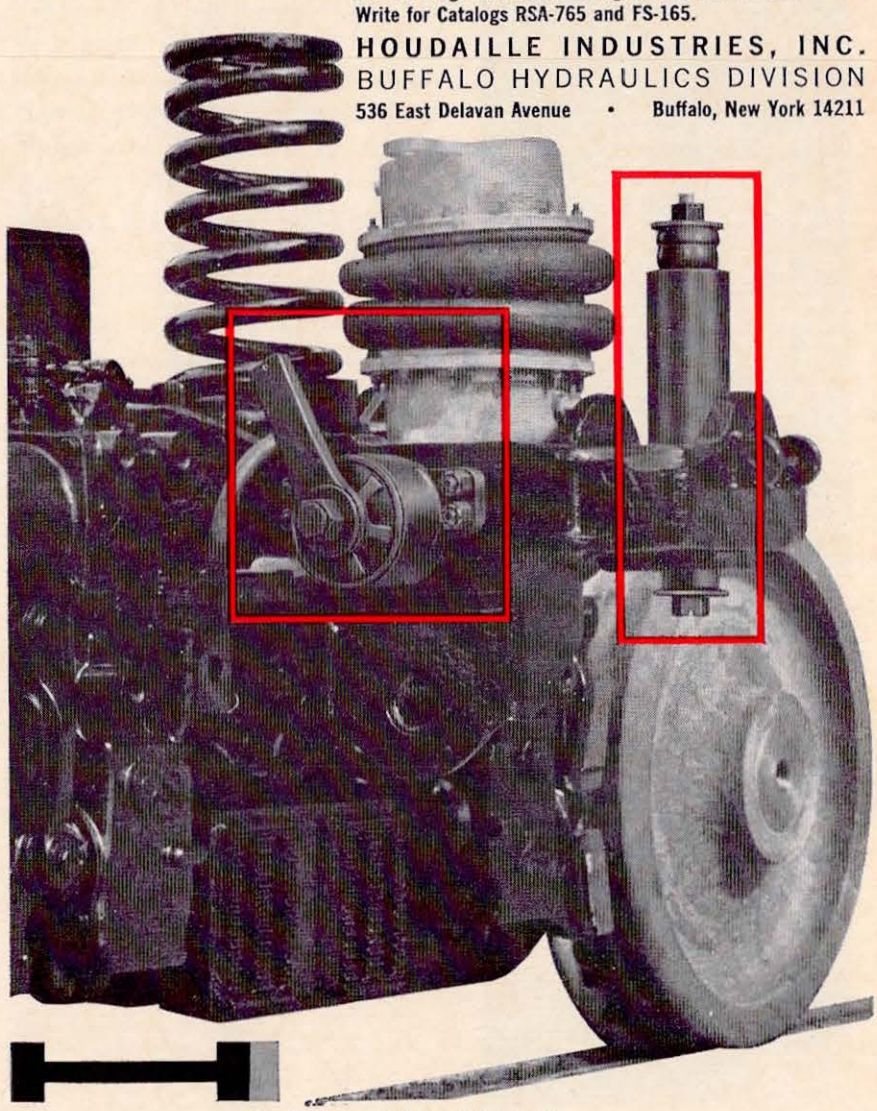

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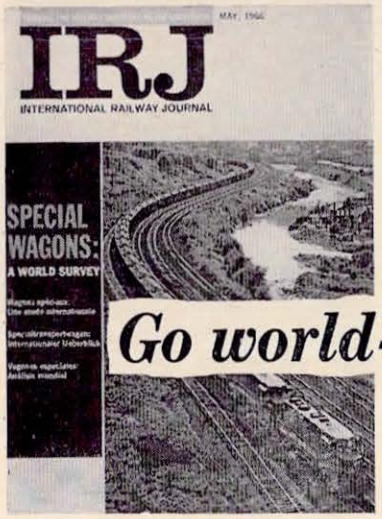

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then become counsel to the Washington law firm of Steptoe & Johnson, handling SP business there. Waterman's associate, General Attorney **T. A. Miller,** will remain with SP, transferring to San Francisco.

UNION PACIFIC.—Wallace E. Dowling, assistant system bridge engineer, Omaha, appointed system bridge engineer.

William J. Fox, superintendent, Los Angeles, named general superintendent, Northwestern district.

WESTERN MARYLAND.—John F. Hamburg appointed supervisor of Operating Practices, Hagerstown, Md., succeeding **William O. Cottingham,** who retired May 1, after almost 44 years of service.

Supply Trade

Larry B. Miller has been named general sales manager, **Kemlite Corp.,** Joliet, Ill.

Leo E. Flinn has been appointed assistant vice president, **Hayes Track Appliance Co.,** Chicago. Formerly a roadmaster on the **Burlington,** Mr. Flinn served later with Dearborn Chemical Co. and the J. W. Mortell Co. **Norman H. Barr,** sales and service representative for Hayes, appointed eastern sales manager, Richmond, Ind. Both men will report to **H. J. Mayer,** vice president—sales, Richmond.

Donald O. Scheetz, director of sales, **Australian Timken Proprietary, Ltd.,** has been named assistant director—sales, International Division, Canton, Ohio. **Rodney E. Martinsen,** sales engineer, International Division, has been promoted to assistant director—sales of that division.

Charles G. Christovich, manager—business planning and analysis, **Pennsylvania,** Philadelphia, has joined **Berman Leasing Co.,** Pennsburg, Pa., as controller.

J. C. Kilgore has been appointed field representative—Railroad Sales, **New York Air Brake Co.,** Atlanta, Ga.

Freightmaster, a division of **Halliburton Co.,** has announced appointment of **Armendariz S. de R. L. de C. V. Marconi** Numero 2-37, Mexico City, as exclusive sales representative for Freightmaster cushioning devices in Mexico.

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Advertisers' Index

ACF Industries, Inc. American Car & Foundry Division ..29-31
Berwick Forge & Fabricating Company 3
Brenco Incorporated .....Cover 2
General Railway Signal Company 9
General Steel Industries, Inc. .....Cover 4
Houdaille Industries, Inc., Buffalo Hydraulics Division .. 39
International Nickel Company, Inc., The 10
Johns-Manville Corporation 34-35
Kaiser Aluminum & Chemical Corporation 6
Pullman Standard Division of Pullman, Inc. 21-24
Railroad Friction Products Corporation 34-35
Railway Educational Bureau, The 33
WABCO-Westinghouse Air Brake Company 34-35
Waugh Equipment Company .....Cover 3

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THE ACTION PAGE

Needed: a consensus on car supply

Will success spoil the railroads? More specifically, will car shortages give government the excuse for really serious moves down the road toward nationalization?

Car shortages, like a spreading blight, are cropping up at odd times in unusual places. Many of these particular shortages are caused by the comeback story railroads are writing. They represent a serious challenge to industry managers. New patterns of competition are creating revolutionary new conditions that are everywhere upsetting long-established rail theory and practices.

For some curious reason beyond the understanding of this paper, railroads are often assailed by government spokesmen, shippers and the press for car shortages as though rail managers are willfully blocking progress by failing to provide enough cars to handle all proffered traffic. The same critics seldom, if ever, are outraged over the failure of department stores to build facilities large enough to accommodate Christmas shopping crowds.

Not that this example is exactly parallel. It isn't. Our basic transportation capacity is of much greater and more subtle importance to every aspect of U.S. industrial and economic activity. The car shortages that could result from railroads recapturing just a few percentage points of the nation's growing intercity freight traffic are, quite properly, causing concern in government circles and among shippers.

The real problem behind car shortages, of course, is not that rail managers are willfully withholding freight cars, but that most individual railroads have been financially unable to provide the *excess* equipment (cars above average demands) needed to serve peak demands. It is no particular secret that marginal and red-ink railroads are not even able to provide enough equipment for average traffic demands—thus adding another complex dimension to the tightening supply of freight cars.

Unlike telephone, gas and electric utilities, which are guaranteed specific rates of profitability by solicitous regulatory agencies, the rail industry (which already has excess equipment during most days of the year) faces sharply diminishing returns on equipment investment made for above-average demands. Some less thoughtful car shortage critics, in effect, urge the industry to get suicidal with capital investment by buying enough cars to have idle equipment 364 days a year.

Industry leaders certainly have done more—much more—to read off freight car shortages than most critics will admit:

—Expenditures for rolling stock by railroads, private car lines and shippers came to $1.3 billion in 1965.

—Similar expenditures in 1966 will touch the $1.5-billion level. Railroads, in fact, will spend something like a dollar of every eight they take in on freight cars.

—Fleet capacity is on the upswing, and the number of cars in the carfleet is on the increase, too.

Really knowledgeable people know the problems ahead won't go away by bureaucratic edict, by slick planning or even by some magical increase in the capital the industry can generate. It will take more equipment, of course. It will take carrier programs that succeed in notching up equipment utilization dramatically.

Other solutions suggested

Evidence of their effort is the rising numbers of cars they buy every year. But, they're pushing for solutions in other directions, too. Leonard Murray, president of the Soo, thinks incentive to expand the carfleet would come if cars could be depreciated in five years. D. W. Brosnan, Southern's president, points to his road's policy of tying punitive demurrage charges to incentive rates (thereby drawing shippers into the battle for bettered utilization) as a way to make a dent in the problem. Southern Pacific's President B. F. Biaggini recently put the matter in perspective when he noted that SP's expansion of average loading from 35 to 49.3 tons between 1956 and 1965 kept SP from needing an additional 2,250 cars per working day. His message to shippers was pointed: "We can only hold rates at reasonable levels by close control of our costs." Other industry leaders argue for sharply-increased per-diem payments to provide a return on invested capital to owners.

It seems to us the industry is better-equipped to analyze this complex, important problem than either Congress or the ICC. Chicago & North Western Chairman Ben W. Heineman recently (RA, Mar. 21, p. 27) urged a summit meeting of railroad presidents to structure a consensus on industry problems. After staff work by first-rate people, industry leaders could, he thinks, meet and achieve agreement on car ownership "as to who is obliged to own what kind of cars and in what quantity." It seems worth a try. Freight equipment is the foundation for the industry's future.

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